R&I's 1986 AMERICA'S CHOICE IN CHAINS A

C1850-3
12/30/86

Baskin-Robbins, Stuart Anderson's in top spots.....28

Ten segment winners, 74 chain customer profiles....54

Institutions: Colleges graduate to a la carte.....116

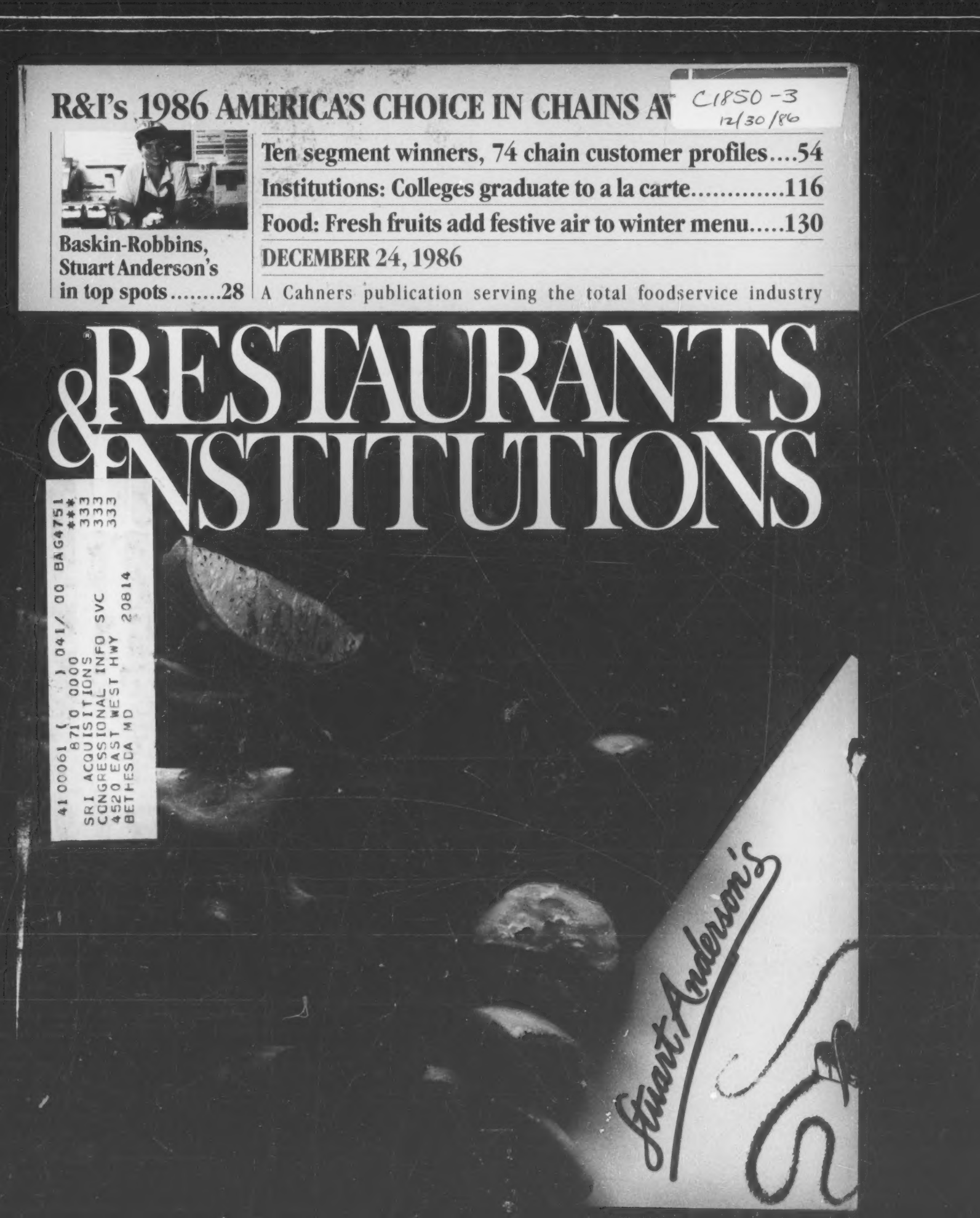
Food: Fresh fruits add festive air to winter menu.....130

DECEMBER 24, 1986

A Cahners publication serving the total foodservice industry

RESTAURANTS & INSTITUTIONS

41 00061 ( ) 041/ 00 BAG4751
8710 0000 ***
SRI ACQUISITIONS 333
CONGRESSIONAL INFO SVC 333
4520 EAST WEST HWY 333
BETHESDA MD 20814



DEC. 24, 1986

CONTENTS

Vol. 96 No. 26

BRIEFING
A summary for busy readers 4

COMMENTS
The line of succession 11

VIEWPOINT
Time to close the zoo 12

HAPPY HOLIDAYS
Greetings from the staff at R&I 14

R&I REPORT
Fast Food: Is it really fast? 18
R&I Data: Speed of Service 19
Day Care: Caring for the kids 20
Economic Experts: Future looks promising 21
R&I Data: Restaurant Sales 21
Washington Update: 18-20 bill 22

R&I EXCLUSIVE
R&I Consumer Survey: Choice in chains 26
Dinner Houses: Stuart Anderson's 28
Fast Food: Baskin-Robbins 36
Burgers: Wendy's 38
Chicken: Grandy's 40
Pizza: Pizza Hut 42
Varied Fast Food: Rax 43
Cafeterias, Coffee Shops: Fuddruckers 48
Steakhouse: Golden Corral 49
Food Quality: Bob Evans 54
Price Value: White Castle 55
Menu Variety: TGI Friday's 60
Service: Bob Evans 64
Cleanliness: Bob Evans 65
Atmosphere: TGI Friday's 66
Income Categories 78
Spending Level: Benihana of Tokyo 79
Up & Comers: Rusty Pelican 84
Patronage: McDonald's 90

MENUS
Consumer's Choice: Muffins 96
Menu Concepts: Carousel's rolls 96
R&I Data: Average Menu Prices 97
Menu Design: Handwritten menu 98
R&I Data: Menu Reprinting 98
Operator Offerings: Hunt Club's brunch 99
Testings: Chains' tests 102
Menu Promotions: Fish promo 102
Menu Mechanics 103

INDEPENDENTS
Movers & Shakers: Strings's Success 108
Hotel Dining: Beverly Hills Hotel 110
Cafeterias: Lion House banks on banquets 112

INSTITUTIONS
College: A la carte dining 116
Business & Industry: Manufacturer's Hanover 118

EQUIPMENT
Breakfast Bars: Doubletree 122
Wait Stations: Efficiency in the kitchen 124
Kitchen Design: Ford Motor Co.'s cafeteria 126

MARKETPLACE
Menu Merchandising: Winter fruits 130
Food Marketing: Fruit products 134
New Product: Portable pizza pockets 136
Buyers Mart: New products 136
Favorite products of 1986 138

CLASSIFIED ADS
Buying, selling, changing jobs 154

ACTION EXPRESS
For more product information 164

ADVERTISING INDEX
Where to fine ads in this issue 164
Operations in this issue 164

READER SERVICE CARD
For more information 165

Food Facilities & Energy News, a service of the American Gas Association, follows p. 128.

&RESTAURANTS INSTITUTIONS

■ ECONOMIC EXPERTS

Foodservice Future Is Promising

Experts contend consumerism should triumph over childbearing.

Slower growth in foodservice sales during the past two years has caused concern about the future health of the industry. But it is easy to lose sight of the big picture when caught up in the inevitable yearly fluctuations in business activity.

The long-term health of the industry is heavily dependent on the outlook for demand: Who are the industry's biggest patrons and what is the outlook for these types of households?

According to the Consumer Expenditure Survey sponsored by the Bureau of Labor Statistics, households that spend the largest share of their food budget on eating away from home include: people who live alone, childless couples, two-earner families, younger households, and high-income families.

Employed persons living alone, in fact, spend more on eating out than on food eaten at home—an average of 55% of their weekly food budget is for food eaten away from home. Younger households spend almost half their food budget outside the home. Households headed by persons under 25 years old, for example, spend nearly 43% of their food budget on food away from home. And households headed by 25- to 34-year-olds spend 39% of their food budget on food outside the home. Childless couples spend 38% and high-income households spend 42% on food eaten away from home.

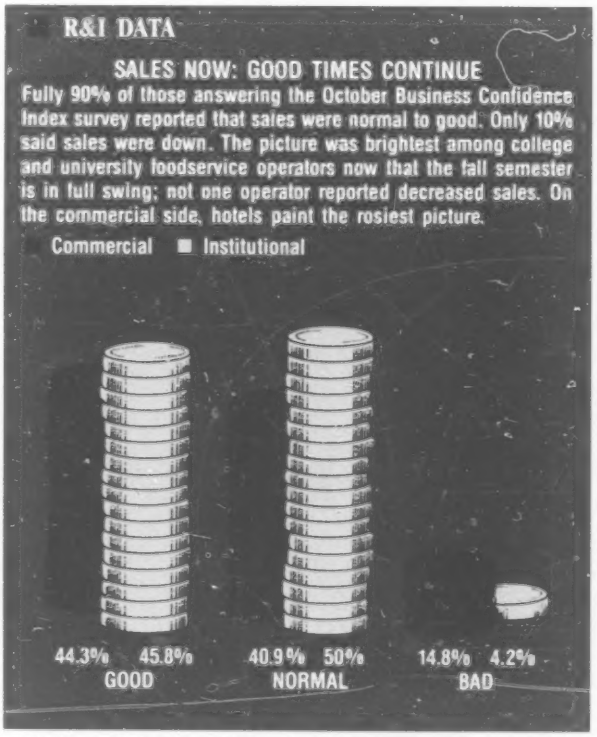
A number of other households are important because they contribute a large dollar volume to weekly foodservice sales. (The large number of these households makes their spending significant.) In addition to those mentioned above, these households include: families whose oldest child is age 6 to 17, upper-middle income families, and households headed by persons age 35 to 44.

For obvious reasons, the growth or decline in the number and purchasing power of these households has a direct impact on the foodservice industry. Fortunately, the future holds promise.

Income is the most important determinant of consumer spending. But during the past 10 years, it was the fast growth in the number of households (a result of baby boomers coming of age) and not high family income that created the growth in consumer demand.

In the coming decade, the growth in households will slow and it will be the increasing affluence of households (especially younger households) that drives consumer spending and foodservice sales.

Wharton Econometrics estimates that the number of households headed by 25- to 34-year-olds with incomes above $30,000 will increase by 14% in the next 10 years, while those with incomes below $30,000 will fall by 3%. And this trend will be evident within every age group.


R&I DATA
SALES NOW: GOOD TIMES CONTINUE
Fully 90% of those answering the October Business Confidence Index survey reported that sales were normal to good. Only 10% said sales were down. The picture was brightest among college and university foodservice operators now that the fall semester is in full swing; not one operator reported decreased sales. On the commercial side, hotels paint the rosiest picture.
Commercial ■ Institutional
44.3% 45.8%
GOOD
40.9% 50%
NORMAL
14.8% 4.2%
BAD

Kim Kennedy is a member of Cahners Department of Economics.

The number of childless couples also will grow more slowly during the next 10 years, but they will remain an important segment because they have roughly one-fifth more income and are 15% more likely to eat out than couples with children. As Professor David Bloom of Harvard University describes it, childless couples represent a "triumph of consumerism over childbearing."

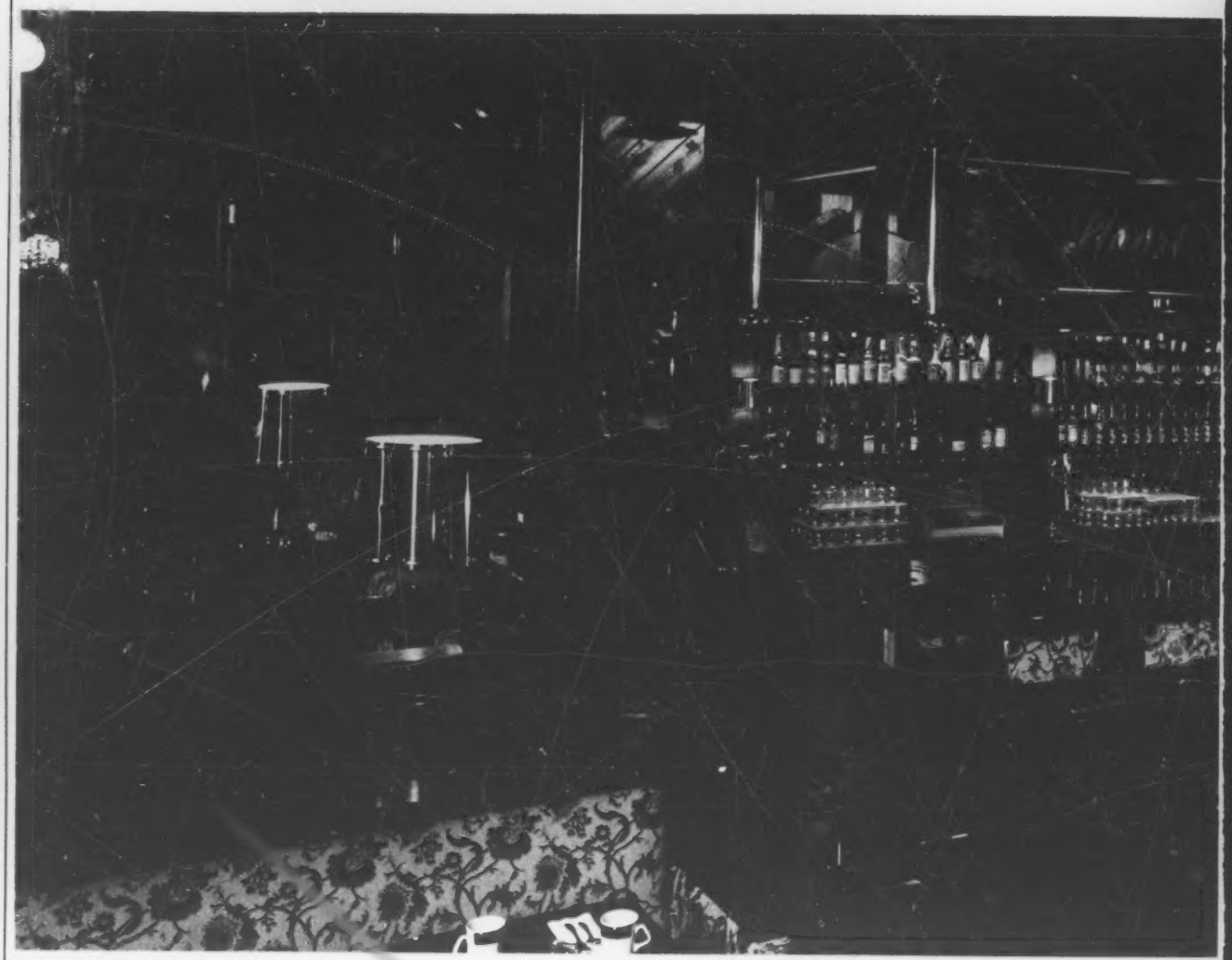
Families in which both partners work have become the norm. Roughly 65% of married women are currently employed, and the share of wives that work continues to rise. Because two-earner families have fewer children, are more highly educated, have higher incomes and place an emphasis on free time and convenience, they will continue to be valued customers of the foodservice industry.

Our industry is maturing. So creative alternatives to keep individual establishments abreast of the competition will become increasingly important during the next 10 years. But the strong links between spending, income and demographics send a clear signal to the foodservice industry that consumers will have a healthy appetite.

—Kim Kennedy

1986 *Restaurants & Institutions*, a Cahners publication

R&I EXCLUSIVE

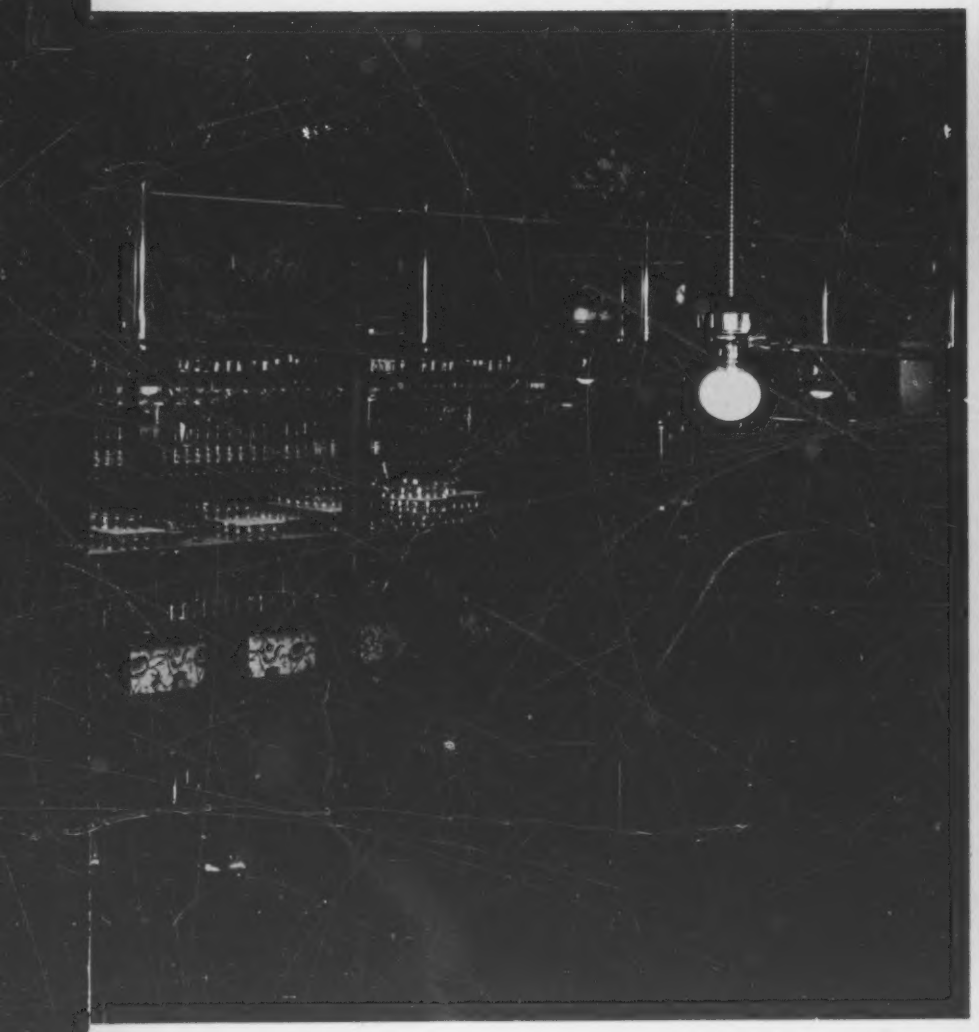


■ R&I CONSUMER SURVEY

CHOICE IN CHAINS

In a world of lists that often only focus on the bottom line, the *R&I* Choice in Chains survey instead takes a close look at consumers' perceptions of restaurant chains. Therefore McDonald's, which has a stranglehold on most chain lists, receives no more consideration for its more than 8,000 units and annual sales of more than $11 billion than Skipper's, which has about 200 units and annual sales of $85 million.

Coming out on top of the seventh annual survey is Stuart Anderson's Cattle Co. in the full-service segment and Baskin-Robbins in the fast-food arena. Stuart Anderson's dethrones Benihana of Tokyo, which last year had bumped Stuart Anderson's from the top spot.



For Baskin-Robbins, this marks the fourth straight year that it has ruled the fast-food roost. (For an explanation of the survey and the ranking process, see the sidebar.)

Restaurants & Institutions further explored this research material and determined that Bob Evans is perceived as being the top chain for cleanliness, service and food quality. TGI Friday's comes out on top for menu variety and atmosphere. White Castle was voted as having the best price-value relationship.

The Choice in Chains survey is available from Liz Adams, (312) 635-8800, at the following rates: National Consumer Survey of Eating-Out Habits, $350; National Consumer Survey of Chain Patronage and Preference, $350; Demographic Profile of 74 Individual Chains, $200 per chain; Executive Summary Showing Five-Year Trends, $200; and Food Ordering Demographic Profiles of 53 Different Foods, $200 per food.

—Howard Schlossberg
—Brad Stratton

The *R&I* Choice in Chains survey aligns fast-food chains according to how consumers perceive them. This is one survey that has nothing to do with sales or earnings.

HOW STUART ANDERSON'S AND BASKIN-ROBBINS WON

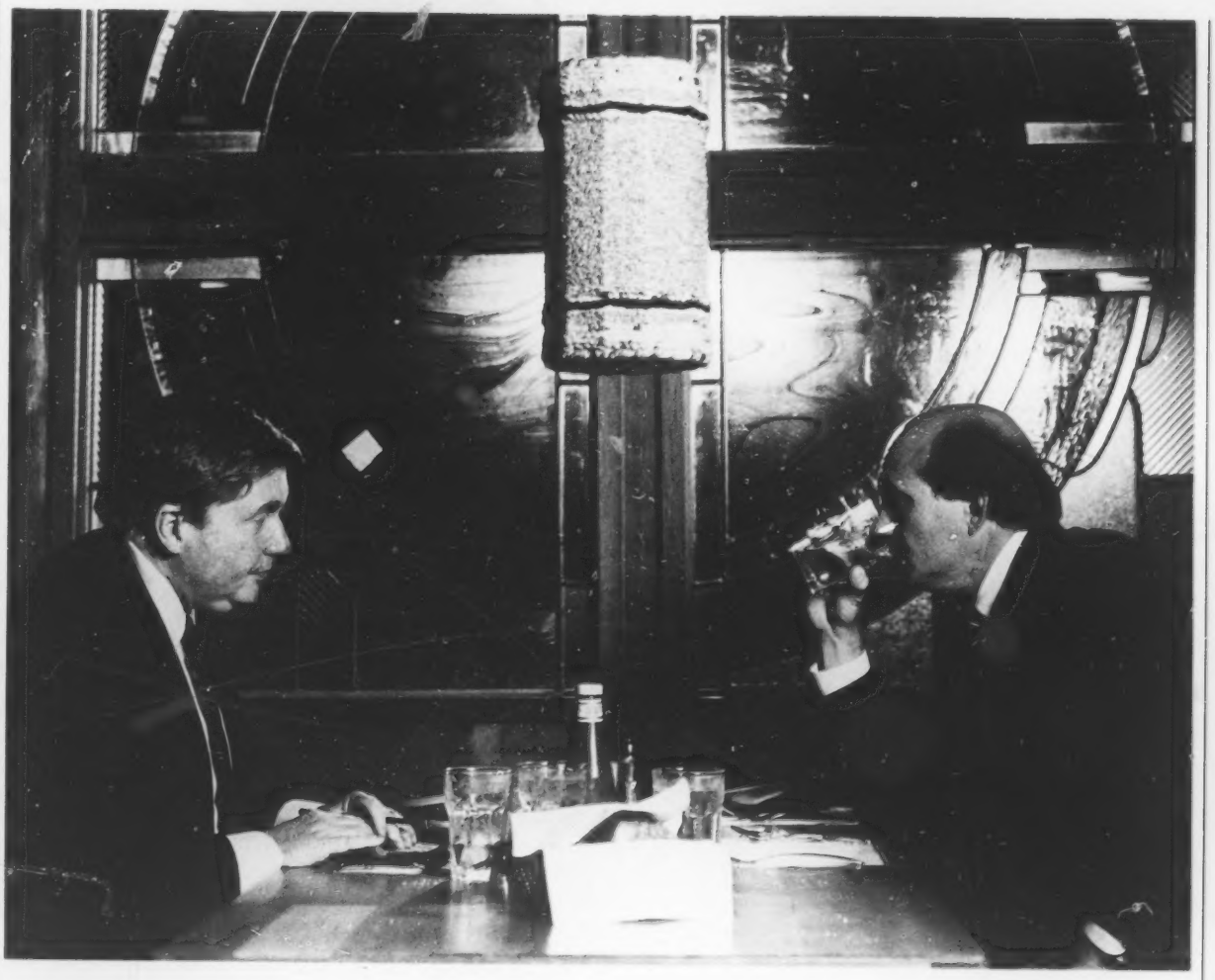
The restaurant chains in *Restaurants & Institutions'* Choice in Chains were ranked through a procedure developed by the magazine in conjunction with National Family Opinion Inc., Toledo. Surveys were sent to 2,000 households selected to reflect the demographic profile of the country. For each of the 74 restaurant chains listed, respondents were asked whether they had heard of the chain and had eaten at the chain during the past 12 months. If they had eaten at the chain, they were asked to specify whether they liked the chain a great deal, somewhat or not at all.

The 1,400 responses received were tabulated to determine each chain's satisfaction index (or popularity). Chains that had been patronized by fewer than 100 respondents were omitted from the ranking.

The number of patrons who said they liked the chain a great deal was doubled (giving that response a weight of +2) and added to the number of patrons who said they liked it somewhat (a weight of +1). The number who said they didn't like the chain was subtracted from the total (giving that response a weight of −1). The final figure was divided by the number of people who said they had eaten at the restaurant, yielding a satisfaction index between 0.0 and 2.0.

For an example of this process, examine Stuart Anderson's numbers. Of the 150 people who ate at Stuart Anderson's, 90 said they liked it a great deal ($90\times2=180$), 53 said they liked it somewhat ($53\times1=53$) and seven said they did not like it ($7\times-1=-7$). Combine the three numbers ($180+53-7=226$) and divide by the total who had eaten at the restaurant ($226\div150=1.50$).

CHOICE IN CHAINS



■ DINNER HOUSES

Stuart Anderson's Emerges Again as America's Favorite

Stuart Anderson's climbed back into the top spot among all full-service restaurant chains in *R&T*'s Choice in Chains survey for the fourth time in the past five years. Five other dinner house concepts also ranked in the top 10.

In fact, the four most popular restaurant chains are dinner houses. Behind No. 1 Stuart Anderson's are Benihana of Tokyo, which was last year's champion, TGI Friday's and Red Lobster. Bennigan's (No. 8) and Steak & Ale (No. 10) also make the top 10.

Chain Sizzles with the Singles, the Spenders

The things that most attract Americans to restaurants—quality of food, service and cleanliness—are the areas where Stuart Anderson's scored higher than any other dinner house chain in *R&T*'s exclusive Choice in Chains survey.

Stuart Anderson's is most popular with singles and young parents who eat up to four meals a week away from home and spend up to $50 in the process. The chain also enjoys enormous popularity with consumers who dine out five to seven times a week and place a premium on quality of food, service, cleanliness and atmosphere.

Stuart Anderson's customers also are more adventurous than the general population, as they report trying a new restaurant once a month. Characteristically, they tend to skip meals, have foods home-delivered, purchase foods for takeout, eat business-related meals, have an alcoholic beverage with a meal and generally eat out more often than the norm.

The Stuart Anderson's customer also

tends to patronize family restaurants, pubs, taverns and cafeterias.

Food Quality, Variety Matter Most to Patrons

Price often is a determining factor when a family is deciding where to eat out, but the two overriding concerns when choosing a dinner house appear to be food quality and menu variety. The food quality at the No. 2 dinner house chain, Benihana of Tokyo, was rated above average by more than half of its patrons, and at the No. 3 chain, TGI Friday's, 56.4% of the patrons said the food was superior.

For Steak & Ale, more than 50% of its customers said food quality was above average. Interestingly, more than 50% of customers under 30 and over 65 said the chain's food quality was above average. Customers with household incomes of $19,900 or less also said the chain's food quality was above average.

Menu variety was rated TGI Friday's No. 1 strength by 58% of its regular customers. Red Lobster patrons also are pleased by the chain's wide selection, as more than half gave an above average rating in this category.

Stuart Anderson's is not only America's favorite dinner house chain, it is America's favorite chain. The quality of its food is a major reason.

continued on page 36

STUART ANDERSON'S REGAINS TOP SPOT AMONG AMERICA'S FULL-SERVICE RESTAURANTS

After Benihana nudged it from first last year, Stuart Anderson's returns as the most popular full-service restaurant. Fuddruckers, Furr's and Golden Corral broke into the top 10.

Chain	'86	'85
Stuart Anderson's Cattle Co.	1	2
Benihana of Tokyo	2	1
TGI Friday's	3	3
Red Lobster	4	5
Fuddruckers	5	—
Furr's Cafeterias	5	—
Bennigan's	7	6
Morrison's Cafeterias	8	11
Steak & Ale	8	4
Golden Corral	10	—
Chi-Chi's	11	9
Bob Evan's	12	19
Shoney's	12	—
Victoria Station	14	7
Swensen's	15	10
Pizza Hut	16	17
Friendly	16	14
Western Sizzlin'	18	13
Houlihan's	19	—
Po Folks	20	—
Pizza Inn	21	22
Perkins	22	16
Godfather's Pizza	23	21
Mr. Steak	24	18
Ponderosa	25	25
Sizzler Family Steakhouse	26	15
Bonanza	27	20
Big Boy	28	24
International House of Pancakes	28	26
Denny's	30	27
Country Kitchen	31	23
Shakey's	32	28
Howard Johnson	33	29

© 1986 *Restaurants & Institutions*, a Cahners publication

CHOICE IN CHAINS

■ FAST FOOD

A Cool Winner and Still Champion: Baskin-Robbins

Baskin-Robbins not only is the repeat winner as the top ice cream chain in the country, but also is the country's top fast-food chain. *R&T*'s Choice in Chains survey respondents ranked the chain from Glendale, Calif., higher than second place Carvel, another ice cream chain. Rounding out the top five are Rax Restaurants, Little Caesar's Pizza and Wendy's.

Baskin-Robbins' most faithful customers are young: young singles, young couples and young parents.

Even though Baskin-Robbins is a relatively inexpensive place to visit, 61.3% of people making $60,000 or more annually made it to the home of 31 flavors in the past 12 months. More than half of the people making from $20,000 to $44,999 went to Baskin-Robbins last year.

Slightly more than half of those who patronized Baskin-Robbins last year said the food quality is above average. More than a third gave it above average marks for cleanliness and service.

Carvel Now No. 2, Little Caesar's Debuts

Carvel drew higher than average marks from couples and the young parent categories. It gets high marks from households earning between $12,500 and $19,999 and households earning more than $45,000. Nearly a third of the people eating there give it an above average rating for food quality.

Rax draws its best reviews from young people and from parents of all ages. More than a third of Rax patrons gave it an above average grade for cleanliness, food quality and price-value relationship.

A first-time member of the list, Little Caesar's is credited with having above average price-value relationship by

nearly half of its patrons. And people who make a lot of money appreciate the chain's two-for-one pizza deal; people making $60,000 or more gave it the highest satisfaction index.

Four Move into Fast Food's Top 10

Dairy Queen, Captain D's, Long John Silver's and Burger King moved into the top 10.

Dairy Queen is highly regarded in the North Central and Northeast regions of the country. People who live in households making less than $30,000 most enjoy the chain. Households of three or more people tend to like DQ more than households of two or one.

The South is the area of patronage strength for Captain D's. The chain scores extremely well with households with incomes of less than $20,000.

Households that spend between $26 and $75 eating out each week praise Long John Silver's. It also is popular among young couples.

Burger King Town is made up of young singles and families of all ages. Loyal patrons come from households who spend more than $51 weekly on eating out.

Welcome to Baskin-Robbins. Employees will prepare the best in fancy ice cream dishes (far l.) or scoop out ingredients for cones (above). The fast-food winner scores very well with young people.

BASKIN-ROBBINS IS MORE THAN AMERICA'S FAVORITE ICE CREAM CHAIN

When someone says, "America has a sweet tooth," believe it! The top two finishers in *R&I*'s Choice in Chains survey were ice cream chains: Baskin-Robbins, which held its perennial top spot; and Carvel, which moved up from No. 3. Little Caesar's Pizza makes its debut in 1986, at No. 4.

Chain	'86	'85
Baskin-Robbins	1	1
Carvel	2	3
Rax Restaurants	3	2
Little Caesar's Pizza	4	—
Wendy's	5	5
Grandy's	6	4
Dairy Queen	7	10
Captain D's	8	13
Long John Silver's	9	16
Burger King	10	11
Bojangles'	11	19
Kentucky Fried Chicken	12	9
Chick-fil-A	13	6
Arby's	14	12
A&W	15	15
Domino's	16	—
Popeyes Famous Fried Chicken	17	7
Taco Bell	18	8
Carl's Jr.	19	17
McDonald's	20	18

© 1986 *Restaurants & Institutions*, a Cahners publication

CHOICE IN CHAINS

BURGERS

Chain	'86	'85
Wendy's	1	1
Burger King	2	2
Carl's Jr.	3	3
McDonald's	4	4
Hardee's	5	5
White Castle	6	7
Krystal	7	6

© 1986 *Restaurants & Institutions*, a Cahners publication

■ **BURGERS**

Patrons Say Wendy's Is 'The Good Stuff'

When it comes to beefing up burgers, nobody does it better than Wendy's, in the eyes of American consumers.

Once again they voted Wendy's No. 1 in the fast-food hamburger segment, rating the quality of Wendy's food best in the segment, a tribute to Wendy's quality-marketing niche.

Why Wendy's? It's the Food Quality

Aside from Baskin-Robbins, Wendy's has the highest satisfaction rating for food quality among all fast-food concepts.

That food-quality factor was particularly significant to Wendy's customers who are young parents, single parents and young singles. It was also of above average importance to Wendy's customers who live alone, earn between $12,500 and $19,900 a year and are under 30 years of age.

Although Wendy's is known for the variety of food on its menu boards, variety was only fifth among satisfaction yardsticks for Wendy's customers among factors including price-value relationship and cleanlineess.

Burger Barons Battle It Out

The Choice in Chains survey bears out what those who guide the fortunes of America's fast-food hamburger chains already know: They are locked in a market-share battle for each other's customers.

The burger chains received their highest satisfaction rating from consumers of high school-or-less education levels.

Among singles, younger people gave highest satisfaction scores to the fast-food burger chains, except for White Castle, which clicked with the middle-aged. And in terms of household income, those with earnings below $12,500 a year gave White Castle the highest satisfaction rating.

Wendy's food quality carried it to another burger-segment victory. The chain scores highly with families, young and old.

CHOICE IN CHAINS

CHICKEN

Chain	'86	'85
Grandy's	1	1
Bojangles' Chicken & Biscuits	2	6
Kentucky Fried Chicken	3	4
Chick-fil-A	4	2
Popeyes Famous Fried Chicken	5	3
Church's Fried Chicken	6	5

© 1986 *Restaurants & Institutions*, a Cahners publication

■ **CHICKEN**

Grandy's Holds On to America's Top Rating

While Grandy's Country Cooking stayed on top, the rest of the chicken segment did a scrambling act in the 1986 Choice in Chains survey. Bojangles', designated for sale by parent company Horn & Hardart, jumped from No. 6 to No. 2.

Grandy's, the Lewisville, Texas-based chain of some 200 units, is proof that consumer popularity is not dependent upon consumer awareness. Three other chicken chains finished ahead of Grandy's on the portion of the survey that measured the relationship between consumer awareness and patronage, but Grandy's outranked all three in terms of customer satisfaction.

Customers Say Grandy's Is 'Priceless'

It should come as no surprise that Grandy's attracts family groups. Its highest satisfaction ratings came from young parents, young couples and single parents. The college-educated, a discerning and value-oriented lot, gave Grandy's its highest satisfaction rating for price-value relationship and quality of service.

Price-value relationship is held dear by Grandy's customers who spend a little and a lot. People who eat out five to seven times a week gave Grandy's its highest satisfaction rating for price-value relationship. Right behind were those who say they spend less than $10 a week eating out.

Aging America Looks to the Chicken Chains

Chicken satisfies the older generations. Almost as a rule throughout the Choice in Chains survey, the older the customer, the higher the satisfaction rating given to the chicken chains.

Older parents and singles gave Kentucky Fried Chicken high satisfaction ratings. Older retired and working couples and older parents gave Bojangles' their satisfaction blessings.

Grandy's may be far from the largest chicken chain, but it is the most popular for the second year in a row in the Choice in Chains survey.

CHOICE IN CHAINS

Chain	'86	'85
Pizza Hut	1	1
Little Caesar's	2	—
Pizza Inn	3	3
Godfather's Pizza	4	2
Domino's	5	—
Shakey's	6	4

©1986 *Restaurants & Institutions*, a Cahners publication.

■ PIZZA

Pizza Hut Is No. 1, with All the Toppings

When Americans eat pizza, they want a good pizza. And Pizza Hut, winner for the second year in row in the segment, believes in giving customers what they want.

Across the board, Pizza Hut received high satisfaction ratings on the quality of its pizza from just about every demographic group.

Pizza Hut's Success Built on Quality Food

Who likes the quality of Pizza Hut's pizza? Everybody who responded to the survey.

Of the six categories that *R&I* asked consumers to consider when rating the chains this year—food quality, price and value, cleanliness, service, atmosphere and menu variety—Pizza Hut's highest satisfaction ratings came in food quality.

The college-educated; the older, younger and single parent; and the young couple head up the household types who enjoy Pizza Hut food most.

Pizza Operators Have Universal Appeal

As far as the Choice in Chains survey goes, there is one product that comes closest to being the one everyone likes —pizza.

Although Godfather's slipped from No. 2 to No. 4 overall in the segment, its strength remains rooted in food quality, even ahead of Pizza Hut's. Consumers ranked Godfather's No. 1 among pizza chains in overall food quality.

Little Caesar's popularity, built around its powerful price-value appeal, not only makes it No. 3 among all chains in that category but the only pizza chain among all chains for price-value satisfaction.

No. 5 Domino's, as would be expected, scored its highest satisfaction rating with consumers who prefer home delivery.

Quality is one of the most important factors to consumers in the pizza segment, and Pizza Hut's food quality consistently scored high.

■ **VARIED FAST FOOD**

Rax Racks Up Another Victory

While Rax might come up a bit short in chain-size comparisons to its fast-food competitors, it's long on loyal followers. The Columbus, Ohio, chain of more than 500 restaurants once again nailed down the top spot among varied fast-food chains. It has held this spot since it was first included in the survey back in 1982. Captain D's moved to second place and Long John Silver's sailed from sixth to third. Arby's slipped back one place while A&W stood firm and Taco Bell fell from second to sixth.

Rax scored best in its home North Central region. It also did well in the West. Households with an income of $45,000 to $59,999 gave Rax quite high marks, as did households with heads who are 39 years old or younger. Households with children said they liked Rax.

More than 40% of the people who visited the chain last year said it had above average cleanliness. A third or more gave it above average grades for food quality, price-value relationship and service.

Captain D's Claims Second Position

Captain D's might be the lesser known restaurant owned by Shoney's Inc., but its qualities are well-known by its loyal customers. The fast-food seafood chain is perceived as having above average price-value relationship, service and food quality by more than a third of its patrons.

Households that earn less than $20,000 or between $45,000 and $59,999 are most satisfied with Captain D's.

Seafood also is the specialty at Long John Silver's, where more than a third of the customers say the chain is above average for price-value relationship, food quality, cleanliness and service.

Arby's most satisfied customers live in the North Central and West regions. Older working couples, older retired couples and young parents highly rate Arby's.

Chain	'86	'85
Rax	1	1
Captain D's	2	4
Long John Silver's	3	6
Arby's	4	3
A&W	5	5
Taco Bell	6	2
Roy Rogers	7	7
Jack in the Box	8	9

©1986 *Restaurants & Institutions*, a Cahners publication

The salad bar is popular at Rax, which again was ranked the top varied fast-food restaurant chain in the annual *R&I* survey.

CHOICE IN CHAINS

CAFETERIAS/COFFEE SHOP

Chain	'86	'85
Furr's Cafeterias	1	—
Morrison's Cafeterias	2	2
Bob Evan's	3	5
Shoney's	3	—
Swensen's	5	1
Friendly	6	3
Po Folks	7	—
Perkins	8	4
International House of Pancakes	9	8
Big Boy	9	7

*tie

©1986 *Restaurants & Institutions*, a Cahners publication.

■ **CAFETERIAS, COFFEE SHOPS**

Furr's Cafeterias Claims Segment Title

Newcomer Furr's Cafeterias stands in first place in this *R&I* Choice in Chains listing. Furr's Cafeterias achieved a 1.40 satisfaction rating. That was good enough to outdistance Morrison's Cafeterias, which takes second place for the second straight year.

Furr's earned its highest marks for menu variety. More than 42% of *R&I* respondents who patronize the Lubbock, Texas, chain credit it with above average cleanliness, food quality, service and price-value relationship.

Older people are the most enthusiastic about Furr's and are its most faithful patrons. In families where the household head is retired, the satisfaction index was a strong 1.69, compared to its average of 1.40. The restaurants also receive above average marks from families that earn between $12,500 and $44,999. It receives similar high opinions from families of two people and of four or more people.

Households that spend $25 or less eating out each week highly regard Furr's. It gets a vote of confidence from people who eat out for two to four meals a week.

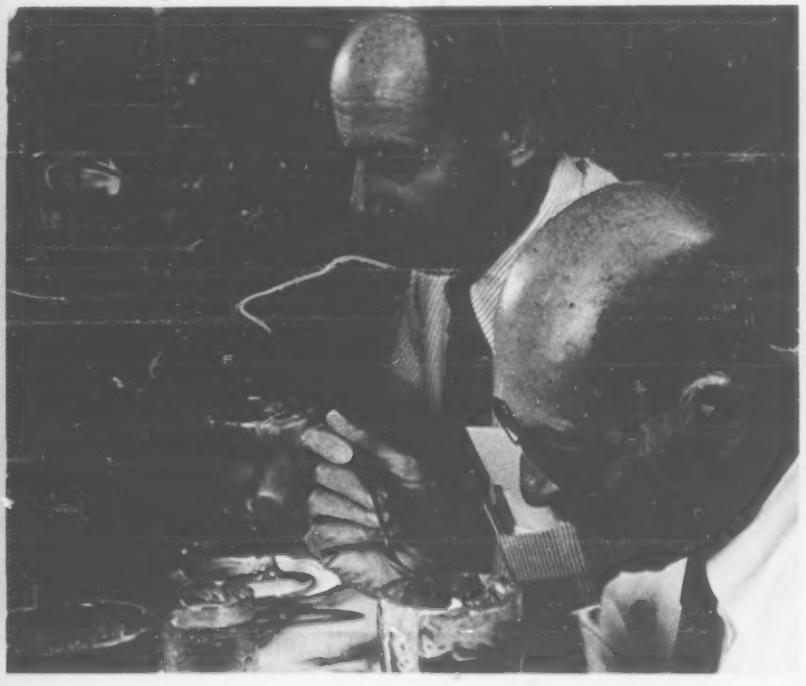
Morrison's Gets High Marks for Food Quality

Morrison's tends to have the same customer base as Furr's. Families with older household heads and retired people patronize Morrison's at a rate that exceeds its average. More than half its patrons say Morrison's has above average food quality and menu variety and more than 45% say the cleanliness, price-value relationship and service are above average.

Young couples, young singles, older couples and parents give third-place Bob Evan's above average satisfaction ratings. The chain also scores very well for quality, cleanliness and service.

Shoney's, a new entry to *R&I*'s consumer survey, got a significantly higher satisfaction rating than Big Boy, its former partner (1.30 compared to 1.03).

Swensen's is popular among people who dine out between one and four times each week. Couples, whether working or retired, also like the chain.



■ **STEAKHOUSE**

Golden Corral Rounds Up First Place

Golden Corral, owned by Investor's Management Group, Raleigh, N.C., is the top cowpoke on this frontier. The chain pushed last year's segment leader, Western Sizzlin', to No. 2. Mr. Steak remained in the third position. Sizzler fell from second place to fifth.

Younger singles and older singles patronize Golden Corral at an above average rate. Couples of all ages also visit Golden Corral more often than the total sample.

More than half of the people who ate at Golden Corral last year said the chain has above average food quality. Slightly less than half gave it an above average rating for price-value relationship, service and cleanliness.

The households earning between $30,000 and $44,999 gave Golden Corral its highest satisfaction index, with households earning less than $12,500 giving it the next highest rank. And the more people living in a given household, the more likely the family is to like Golden Corral.

Golden Corral has its largest following in the South. Those patrons enthusiastically support it, but the chain is slightly more popular in the North Central region. People who eat out three or four times each week and households that spend less than $10 a week eating out also think highly of it.

Sizzlin' in Second

Western Sizzlin', Augusta, Ga., draws many of its patrons from the demographic groups made up of young and middle singles and parents. Working couples of all ages patronize Western Sizzlin' at an above average pace. Patrons give the chain its highest grade for price-value relationship.

The less money a household earns, the more likely it is to give third place Mr. Steak a high satisfaction index.

More than 43% of those surveyed who patronized Ponderosa said the chain has an above average price-value relationship. It is patronized at a rate higher than its average by parents of all ages.

STEAKHOUSE

Chain	'86	'85
Golden Corral	1	—
Western Sizzlin'	2	1
Mr. Steak	3	3
Ponderosa	4	5
Sizzler	5	2
Bonanza	6	4

© 1986 *Restaurants & Institutions*, a Cahners publication

Almost uniformly, steakhouse chains are patronized at higher than average rates by patrons who come from households that earn less money.

CHOICE IN CHAINS

FOOD QUALITY

Chain	'86
Bob Evans	1
Stuart Anderson's	2
TGI Friday's	3
Red Lobster	4
Golden Corral	5
Fuddruckers	6
Morrison's	7
Benihana of Tokyo	8
Baskin-Robbins	9
Steak & Ale	10

© 1986 *Restaurants & Institutions*, a Cahners publication

■ **FOOD QUALITY**

Bob Evans Proves that Low Prices Can Equal High Quality

As food quality increases, so does the price on the menu. That bit of apparent logic is disproved by Bob Evans. Not only does the Columbus, Ohio, chain rank No. 1 in the quality category, but it also places an impressive seventh in price-value relationship. Only two other chains—Golden Corral and Morrison's—appeared in the top 10 lists of both categories.

Stuart Anderson's, the full-service overall winner, ranks second in quality and TGI Friday's is third. Baskin-Robbins was the only fast-food restaurant to place in the top 10.

People who eat out two to four times or more than seven each week give Bob Evans the most credit for its quality. Those households spending $10 to $25 or more than $50 a week also highly rate the chain's quality. The Northeast and South have the warmest praise for the chain, as do households earning $20,000 to $29,999 and $60,000 or more.

Rounding Up Quality at Stuart Anderson's

Stuart Anderson's is thought to have high quality by households earning less than $12,500 and between $20,000 and $29,999. People eating out once a week or five or more times a week give it a good grade.

People earning $12,500 to $29,999 and those making $45,000 or more praise the quality at TGI Friday's. Young couples and parents of all ages who have older children also give it the high grade.

Red Lobster's quality is appreciated by those living in the South and North Central regions. Households earning less than $30,000 also give it top credit.

Golden Corral, the steakhouse segment winner, is credited for having above average quality from households making less than $12,500 and from $20,000 to $44,999. Households with three or more persons rate it well.

Barbecued ribs is just one example of Bob Evans' quality. Patrons were impressed with both the quality and price of Bob Evans' food.

■ **PRICE-VALUE**

White Castle Wins Value Championship

White Castle, where consumers can buy burgers buy the sack while barely denting their wallets, has claimed the title of being the chain with the top price-value relationship. Po Folks takes second overall but is the top full-service chain for price-value. Little Caesar's Pizza and its continual two-for-one pizza deal earned third place.

Steakhouse chains score extremely well in this category. Golden Corral, the segment winner, took fourth place overall. Western Sizzlin' took fifth, Sizzler grabbed ninth and Ponderosa claimed 10th.

Bargains by the Sack

People who eat out more than seven times a week are most appreciative of the value offered by White Castle. Households spending less than $10 or between $26 and $75 a week also give it higher than average credit.

White Castle's most enthusiastic price-value supporters live in its North Central home region. Households of three or more people also give it good marks. In general, the less a household earns, the more likely it is to praise the economy offered by this chain.

Patrons Aren't Po

The value offered by Po Folks is most appreciated by households earning $20,000 to $59,999 annually. Middle-aged singles, older couples and young parents give it an above average ranking for price-value relationship.

Young singles, young and old parents, and older couples all said Little Caesar's was an outstanding value. Families with a household income of less than $30,000 offered similar opinions. The South and West were areas it did best.

Among the steakhouse chains, Golden Corral did best among middle-aged singles while Western Sizzlin' had the largest value following among young and older singles. Golden Corral also led the way with young and older couples, and young and older parents.

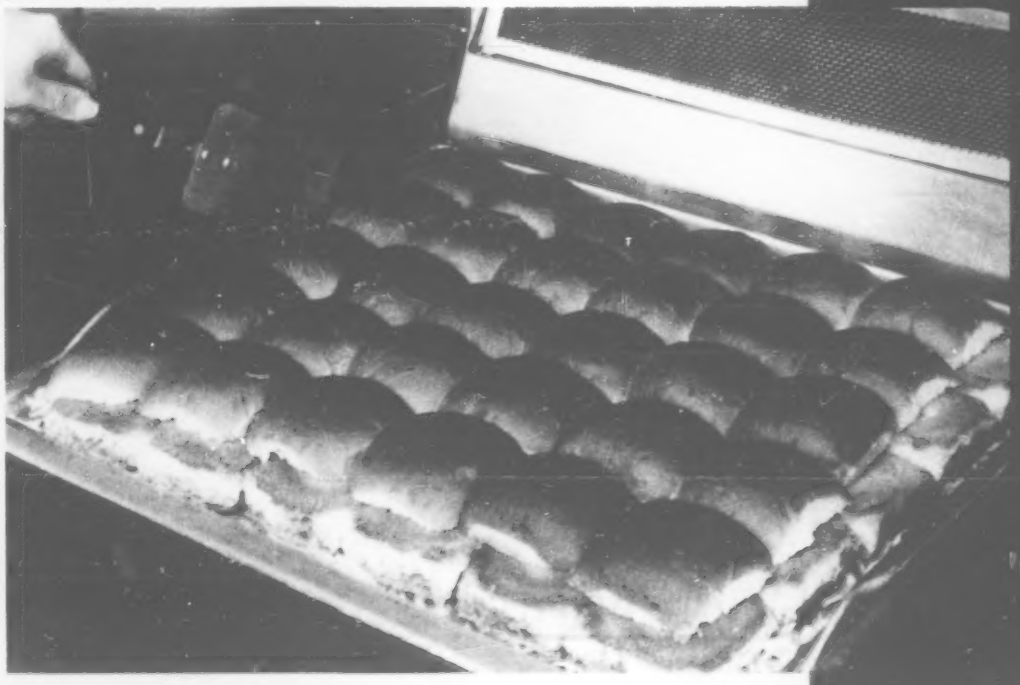
continued on page 60

PRICE-VALUE RELATIONSHIP

Chain	'86
White Castle	1
Po Folks	2
Little Caesar's Pizza	3
Golden Corral	4
Western Sizzlin'	5
Morrison's	6
Bob Evans	7
McDonald's	8
Sizzler	9
Ponderosa	10

©1986 *Restaurants & Institutions*, a Cahners publication

A trayful of White Castle burgers won't break the bank. The chain got its best grade for price-value relationship in its North Central home region.



CHOICE IN CHAINS

Chain	'86
TGI Friday's	1
Morrison's	2
Red Lobster	3
Furr's Cafeterias	4
Bennigan's	5
Po Folks	6
Golden Corral	7
Shoney's	8
Bob Evans	9
Stuart Anderson's Cattle Co.	10

©1986 *Restaurants & Institutions*, a Cahners publication.

■ **MENU VARIETY**

Variety Is the Spice of TGI Friday's

TGI Friday's, with its mammoth menu, was selected the No. 1 concept for menu variety by respondents in the Choice in Chains survey. But a restaurant does not have to be in the dinner house segment to score well on variety.

In fact, six of the top 10 were from the coffee shop and cafeteria segment, while the other four were dinner houses.

The Ultimate in Menu Variety

TGI Friday's No 1. ranking testifies to the continued consumer demand for menu variety. More than 50% of consumers who said they also eat at gourmet, Italian and Mexican restaurants, said TGI Friday's has above average menu variety. That number was a whopping 71% for Oriental restaurant patrons.

The highest positive response for TGI Friday's came from older parents. Almost 79% of those who eat at TGI Friday's said the dinner house chain has above average menu variety.

Let's Eat Out, for the Variety Please

The desire for menu variety transcends demographics and household spending levels.

For Bennigan's, 57.6% of middle-aged singles said the chain has above average menu variety. For Po Folks, 55.1% of those between the ages of 30 to 39 said the chain has above average menu variety. For Furr's, 52.4% of customers living in the South said the chain has above average menu variety.

For Bob Evans, 50% of customers earning below $12,500 and 50% of those between $20,000 and $29,900 said the chain has above average menu variety.

And for Golden Corral, 60% of those who spend less than $10 a week eating out said the steakhouse chain has above average menu variety.

continued on page 64

Is there any wonder why TGI Friday's is rated No. 1 for menu variety in the Choice in Chains survey?

CHOICE IN CHAINS

Chain	'86
Bob Evans	1
Stuart Anderson's Cattle Co.	2
Golden Corral	3
Benihana of Tokyo	4
TGI Friday's	5
Red Lobster	6
Shoney's	7
Furr's Cafeterias	8
Chi-Chi's	9
Morrison's	10

©1986 *Restaurants & Institutions*, a Cahners publication.

■ **SERVICE**

Bob Evans: A Winner Where It Counts

Service. Year in and year out, it is the characteristic that consumers are most vocal about in selecting their favorite restaurants.

They apparently have nothing to complain about at Bob Evans. The Columbus, Ohio-based chain was No. 1 when *R&I* asked consumers to rate their favorite restaurants according to quality of service. True to form, other strong overall performers in customer satisfaction joined Bob Evans in the service top 10.

Overall winner Stuart Anderson's was second, followed by steakhouse champ Golden Corral. Last year's overall winner and this year's runner-up, Benihana of Tokyo, was fourth in service satisfaction. Of note, no fast-food chains and no up-and-comer chains cracked the top 10 in this category.

Up-and-comer Tony Roma's was 16th, while McDonald's was 22nd, leading the way among fast-food.

Bob Evans Does It Again and Again

Consumers who patronize a broad spectrum of restaurants rate the service at Bob Evans as above average. More than 50% of customers who have eaten at a Bob Evans restaurant and a gourmet, seafood, Italian, Mexican or Oriental restaurant selected Bob Evans for having superior service.

But it does not end there.

Service: Important to All Customers

Service is critical no matter what the customer's age, income or education. More than 50% of college-educated Bob Evans customers said the chain has above average service.

Some 57% of retired heads of households who eat at Golden Corral said the family steakhouse's service was above average. Of middle-aged parents, 60.5% of those who have eaten at Chi-Chi's said the Mexican restaurants' service was above average.

Good service is an attribute that is delivered by the consistently highest rated chains in the Choice in Chains survey.

■ CLEANLINESS

Down on the Farm Meets Mr. Clean

If cleanliness is next to godliness, then Bob Evans Farms is assured admittance by St. Peter. Consumers in the Choice in Chains survey gave Bob Evans a higher rating for cleanliness than any other concept.

Others in the top 10 were all full-service, full-menu chains, and their ranking is testimony to the quality of their total operations. Morrison's, No. 2 in cleanliness, was No. 2 overall in the coffee shop and cafeteria segment. Furr's, No. 5 in cleanliness, was No. 1 overall in the cafeteria area.

Portrait of a Bob Evans Patron

Do not believe that just because Bob Evans competes in the coffee shop and cafeteria segment of Choice in Chains that its core customer is the stereotypical senior citizen on a fixed income.

The young couple, the middle-aged single and the college-educated give Bob Evans a vote of high satisfaction. Those earning between $12,500 and $19,900 a year, and those making more than $60,000 a year find satisfaction at Bob Evans.

Cleanliness Cuts All Boundaries

Those who selected the Choice in Chains top 10 for cleanliness tend to look for spotlessness in almost any restaurant concept they try.

In fact, it is of above average importance to Bob Evans' customers in selecting a pizza parlor, a fast-food seafood, chicken or hamburger restaurant, an ice cream parlor, a deli and a pub.

Among the family steakhouse chains, cleanliness also appears as a consumer priority. Almost 55% of customers who have eaten in both a Bob Evans restaurant and a steakhouse said Bob Evans is above average for cleanliness. For Morrison's, that number was 56.5%. For eight of the top 10 in cleanliness, the number was more than 50%.

Chain	'86
Bob Evans	1
Morrison's	2
Stuart Anderson's Cattle-Co.	3
Red Lobster	4
Furr's Cafeterias	5
TGI Friday's	6
Golden Corral	7
Tony Roma's	8
Steak and Ale	9
Chi-Chi's	10

©1986 *Restaurants & Institutions*, a Cahners publication.

For cleanliness, the Choice in Chains winners are full-service, full-menu restaurants. No fast-food concept cracked the cleanliness top 10.

CHOICE IN CHAINS

ATMOSPHERE

Chain	'86
TGI Friday's	1
Chi-Chi's	2
Benihana of Tokyo	3
Bennigan's	4
Stuart Anderson's	5
Victoria Station	6
Steak & Ale	7
Red Lobster	8
Bob Evans	9
Po Folks	10

©1986 *Restaurants & Institutions*, a Cahners publication

■ **ATMOSPHERE**

People Get Away to TGI Friday's

When it comes to the most pleasant atmosphere, TGI Friday's outdistances a top 10 group made up exclusively of full-service restaurant chains. Chi-Chi's comes in second with last year's overall winner, Benihana of Tokyo, coming in third. Bennigan's grabbed fourth while this year's overall winner, Stuart Anderson's, took fifth.

Many Say TGIF

Patrons crediting TGI Friday's with its pleasing atmosphere came from a wide variety of ages. Older singles, young couples, and middle-aged and older parents gave the chain the most praise for its surroundings.

Household incomes for those most enjoying the atmosphere at TGI Friday's were in the $20,000 to $29,999 and the $45,000 and more categories. The chain showed its best strength in the West.

People from households of two and four or more people said they enjoyed TGI Friday's atmosphere.

Look of the Southwest Gains Second Place

Chi-Chi's made it into the No. 2 spot on the strength of its showing among households with incomes of less than $20,000. The perception of the Mexican food chain's atmosphere got progressively better as the size of the household increased. Young parents and middle-aged singles also said they enjoyed the surroundings at Chi-Chi's.

Benihana got its best marks from households earning $30,000 to $59,999. Young parents, young and retired couples, and middle-aged singles all said they liked the Japanese approach to a steakhouse.

People with household incomes of $20,000 or more enjoyed Bennigan's atmosphere. Bennigan's also scored with households of three or less people, with people who eat out five or more times each week, and with people from the West and Northeast.

continued on page 78

People from many different age groups said they enjoyed the surroundings at TGI Friday's, which was voted as having the best atmosphere.

CHOICE IN CHAINS

INCOME CATEGORIES

Less than $12,500 Chain	'86
Stuart Anderson's Cattle Co.	1
Steak & Ale	2
Red Lobster	3
Morrison's	4
Benihana of Tokyo	5
$12,500-$19,999	
Benihana of Tokyo	1
Houlihan's	2
Victoria Station	3
Stuart Anderson's Cattle Co.	3
Fuddruckers	5
Furr's Cafeterias	5
$20,000-$29,999	
TGI Friday's	1
Stuart Anderson's Cattle Co.	2
Bennigan's	3
Steak & Ale	4
Houlihan's	5
Baskin-Robbins	5
$30,000-$44,999	
Golden Corral	1
Benihana's	2
Furr's Cafeterias	2
TGI Friday's	4
Morrison's	5
$45,000-$59,999	
TGI Friday's	1
Benihana of Tokyo	2
Captain D's	3
Stuart Anderson's Cattle Co.	3
Shoney's	5
Rax	5
$60,000 or more	
Bojangles'	1
Carvel	2
Bob Evans	2
Fuddruckers	4
TGI Friday's	4

tie

© 1986 *Restaurants & Institutions*, a Cahners publication

■ **INCOME CATEGORIES**

Friday's Atop Two Classifications

TGI Friday's is the favorite restaurant chain of two household income categories in the 1986 *R&I* Choice in Chains survey. Friday's is the only organization to lead more than one category. The chain, owned by Carlson Cos. of Minneapolis, came out on top of the $20,000 to $29,999 and the $45,000 to $59,999 brackets.

The other category leaders are Stuart-Anderson's, less than $12,500; Benihana, $12,500 to $19,999; Golden Corral, $30,000 to $44,999; and Bojangles' Chicken & Biscuits, $60,000 or more. Bojangles' is the only fast-food restaurant to lead a grouping.

Friday's tied for most appearances (four) in the six income groupings with Stuart Anderson's, the overall full-service leader, and Benihana of Tokyo. Steak & Ale, Morrison's, Houlihan's, Furr's and Fuddruckers appear in two lists. Besides the category leaders, the lists are rounded out by Red Lobster, Victoria Station, Bennigan's, Baskin-Robbins, Captain D's, Shoney's, Rax, Carvel and Bob Evans.

Income's Influence on Consumer Preferences

Just because households earn more money doesn't mean they prefer more expensive chain restaurants. This year's research shows that in general, chains that have higher check averages are more popular with households that make less money. In the same way, less expensive chains appear to be more popular with households that earn more money.

Within the three categories of households that earn less than $30,000 annually, higher-ticket chains account for 13 of the 17 operations appearing. Only Morrison's, Furr's, Fuddruckers and Baskin-Robbins made these lists.

For the three categories of households earning $30,000 or more, lower-priced chains hold 10 of the 16 positions. Contrary to the trend, TGI Friday's appears three times, Benihana twice and Stuart Anderson's once.

Benihana of Tokyo, well-known for its exhibition cooking, was the most popular chain among households earning $12,500 to $19,999.

■ SPENDING LEVEL

Big Spenders Pick Their Favorites

Broken out by weekly household spending levels, Benihana of Tokyo is America's favorite among the largest group, those spending between $10-$25 a week. The chain was No. 2 overall this year and No. 1 last year. El Torito, the eighth-favorite dinner house chain, is No. 2 among this spending group, and Stuart Anderson's is No. 3.

Hey, Big Spender, Benihana's the One

Benihana of Tokyo's popularity and ability to satisfy customers cuts through almost all levels of household spending on food away from home.

Seventy-five percent of Benihana customers who spend more than $75 a week eating out said that the chain's food quality was above average. Another 65% of them said the atmosphere was above average. A full 70% said the service was above average.

Approximately 56% of those spending between $10-$25 and $26-$50 a week said the food quality at Benihana of Tokyo was above average. More than 50% in both categories said the service was above average. Among those spending between $51-$75 eating out each week, 63.6% said the atmosphere at Benihana of Tokyo was above average.

Spending Determines Consumer Ratings

How much a household spends eating out each week makes a critical difference in the way a household determines which quality attributes deserve an above average rating.

For Bennigan's, 60.9% of customers who spend between $10-$25 eating out each week say that the quality of food is above average. Another 30.4% of that same group say Bennigan's price-value relationship is above average.

For Baskin-Robbins, 52.6% of the $10-$25 group say the food quality is above average. *continued on page 84*

SPENDING LEVEL

Chain	Rank
Benihana of Tokyo	1
El Torito	2
Stuart Anderson's Cattle Co.	3
Friendly	4
Bennigan's	5
Victoria Station	6
Steak & Ale	6
Baskin-Robbins	8
Furr's Cafeterias	8
Chi-Chi's	10

*tie

© 1986 *Restaurants & Institutions*, a Cahners publication

Benihana of Tokyo customers, who spend a lot of money eating out each week, say the chain's food quality is above average.

CHOICE IN CHAINS

UP AND COMERS

Chain	'86
Rusty Pelican	1
Tony Roma's	2
Chili's	3
Mrs. Winners	4
Skipper's	5
Sister's Chicken & Biscuits	6
Brown's Chicken	7
Sea Galley	8
Del Taco	9
Straw Hat Pizza	10

© 1986 *Restaurants & Institutions*, a Cahners publication

■ **UP & COMERS**

Keep an Eye on This Lot of Growth Chains

Rusty Pelican, the chain of seafood dinner houses based in Southern California, is the concept Choice in Chains respondents tabbed as *the* one to watch among the Up and Comers.

Because they had not been patronized by more than 100 survey respondents, these 10 chains do not appear in any other overall segment rankings in the 1986 Choice in Chains.

Rusty Pelican Draws an Affluent Crowd

The highest satisfaction rating for Rusty Pelican came from those earning $60,000 or more a year. Those earning between $30,000 and $44,900 a year were right behind.

Both young and older working couples gave Rusty Pelican the highest satisfaction rating, as did middle-aged, older and single parents. College-educated consumers gave Rusty Pelican a high satisfaction rating, as do those who travel and own VCRs.

Finally, the two-, four- and five-person household enjoys Rusty Pelican, as do those who spend any amount more than $26 per week eating out.

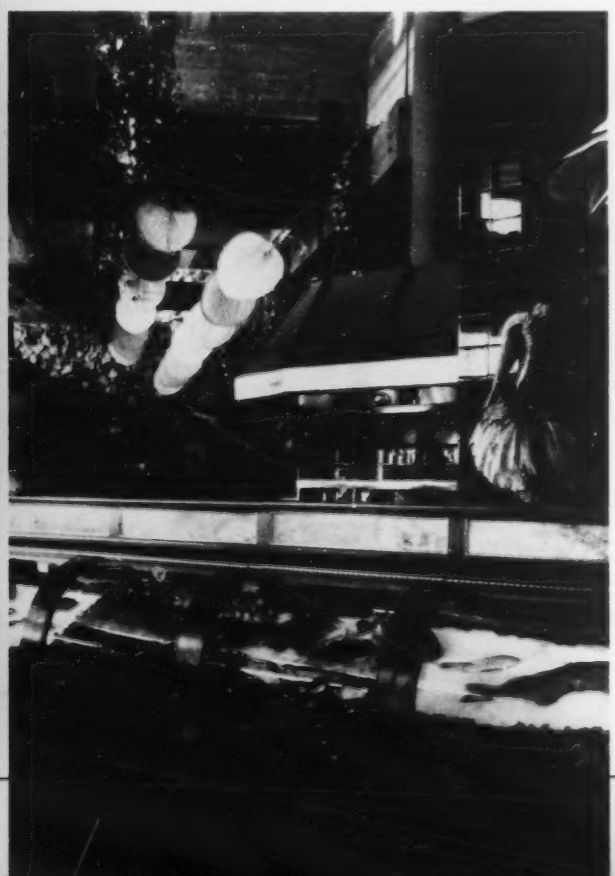
Up and Comers—a Testimony to Variety

The composition of the up-and-comer group—seafood, casual/theme, chicken, Mexican, pizza and ribs chains—leaves no doubt that America's choice now, and in the future is variety.

And there is variety within the satisfaction ratings of each up-and-comer chain. Tony Roma's customers give high satisfaction ratings to steakhouses, Mexican-food restaurants and quick-service seafood outlets.

Mrs. Winners gets high satisfaction scores from young singles, older retired couples, older parents, older working couples and single parents. Brown's Chicken gets its highest satisfaction ratings from young parents and older singles.

continued on page 90



Given a large enough customer base in the Choice in Chains survey, Rusty Pelican would have finished near the front-runners.

CHOICE IN CHAINS

Chain	% patronizing nationally
McDonald's	83.1
Burger King	70.6
Wendy's	69.4
Kentucky Fried Chicken	64.3
Pizza Hut	57.6
Dairy Queen	53.8
Arby's	52.1
Denny's	46.3
Red Lobster	43.9
Baskin-Robbins	43.5

© 1986 *Restaurants & Institutions*, a Cahners publication.

■ PATRONAGE

America Loves Its Burger Chains

The Big Three in hamburgers dominate patronage among American consumers. And among those three, McDonald's was patronized by the most consumers during 1986. Of those participating in the *R&I* Choice in Chains survey, 83.1% made it to the Golden Arches. Burger King took second and Wendy's took third. McDonald's position is so overwhelming that it led *every* patronage demographic category covered in the survey.

The top full-service restaurant to make the list was Pizza Hut, placing fifth overall. Other full-service chains making the top 10 were Denny's and Red Lobster.

McDonald's Scores Well with Young People

While McDonald's does extremely well across the board, it is especially successful with youthful households. Young singles, couples and parents patronize McDonald's at an above average pace. As a matter of fact, young parents apparently have found that McDonald's helps keep their children happy. More than 91% of all parents with children 6 years old or younger said they visited McDonald's last year.

The bigger the family, the more likely it is to have visited McDonald's last year.

Burger King Edges Wendy's for Second

Just 1.2 percentage points separate Burger King from Wendy's. While Wendy's holds a patronage lead among young singles and young couples, Burger King gains its advantage with parents of all ages.

Both chains get above average patronage from households earning $20,000 or more. Burger King holds an edge over Wendy's in the Northeast and West regions, while Wendy's has an advantage in the North Central and South regions.

McDonald's has above average patronage from young singles. More than 85% of those surveyed said they went to Big Mac at least once last year.

DIXIE HOUSE

remind patrons of their favorite aunt. The mascot is one of two new ways that Prufrock Restaurants of Dallas, the Dixie House parent company, is seeking to boost business. The second is a children's board of directors.

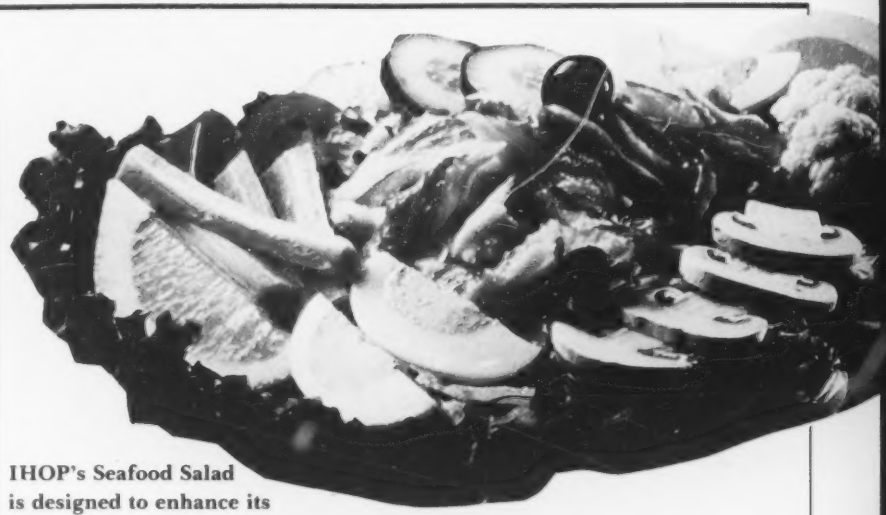
"Aunt Dixie is an updated Aunt Bea, but not as dowdy," says Diana Sinea, a spokeswoman for the chain. (Aunt Bea was the delightful household overseer on television's "The Andy Griffith Show.")

The chain introduced Aunt Dixie at Halloween parties held at each restaurant. Sinea says Aunt Dixie also visited a gathering at the Baylor Medical Center and a home for abused women and children. "She was a big hit," says Sinea. "She told bad chicken jokes and chicken riddles—the kind only kids can stomach."

The children's board of directors held its first meeting Nov. 8. The 12 members, each 10 years old or younger, were selected by company officials from applications filed at each restaurant. Quarterly meetings will be held in Prufrock's headquarters, where the board members will talk about food and make suggestions on menu items, portions sizes, menu games and prices.

Unlike real-life counterparts, the youthful directors will not be paid, but will receive free dining certificates for themselves and their families, Dixie House chicken hats and identification cards.

"Children are an important part of the family atmosphere at Dixie House," says Phil Cobb, Prufrock president, "and we wanted to solicit their input regarding menu items and other elements of the restaurant that affect them."



IHOP's Seafood Salad is designed to enhance its lunch and dinner image.

IHOP Rolls Out New Items for Lunch and Dinner

With its latest rollout of eight entrees, the International House of Pancakes continues to tell consumers it is more than just a breakfast restaurant.

The eight entrees, four salads and four sandwiches, are geared to further boost the chain's traffic at lunch and dinner. The salads are: Seafood, Chicken Taco, Beef Taco, and Chef's International. The sandwiches include: Super Stack, Parmesan-Grilled Beef 'n Cheddar, Classic Philly Cheesesteak, and Big Cheese. The items were introduced on a market-by-market basis over the summer.

"They've done very well," reports Stephen Pettise, vice president of marketing for the North Hollywood, Calif.-based chain of more than 450 units.

"The salads have done better than anyone thought they would," says Pettise. The chain had to take considerable time to retool the back of the house in order to handle a good volume in salads.

IHOP had systemwide sales last year of $240 million. ***—Howard Schlossberg —Brad Stratton***

R&I DATA

AVERAGE MENU PRICES: HOTELS TAKE BIGGEST MARKUPS

R&I tracks average selling prices for a variety of menu items at restaurants across the country. While all three segments registered some price increases, hotel and motel operators took the most sweeping markups.

Item	Full service	Fast food	Hotel/ motel	North-east	South	North Central	West
Beverages:							
Coffee	$ .67	$ .43	$ .78	$ .68	$ .53	$ .61	$ .67
Iced tea	.71	.54	.75	.75	.56	.67	.69
Soft drinks	.83	.60	.90	.90	.68	.76	.76
Beer	1.48	.81	1.91	1.65	1.38	1.23	1.34
Wine (glass)	1.76	2.00	2.03	2.19	1.49	1.97	1.72
Sandwiches:							
Hamburger	3.26	1.37	4.31	3.59	2.91	2.96	3.03
Cheeseburger	3.51	1.57	4.51	3.90	3.11	3.10	3.27
Ham & cheese	3.52	2.21	3.79	3.09	2.95	3.05	3.75
Club	4.10	2.58	4.64	4.76	3.73	3.84	4.47
Fish	3.27	1.92	4.13	3.05	3.02	2.10	2.47
Chicken patty	3.16	1.93	4.13	2.37	3.27	3.63	2.39
Other:							
Chili	2.17	1.62	2.72	2.53	2.24	1.45	2.77
French fries	1.11	.73	1.03	1.02	.81	.96	.99
Scrambled eggs	1.51	1.44	2.12	2.21	1.59	1.81	1.96

©1986 *Restaurants & Institutions*, a Cahners publication

ACTION EXPRESS

MAGAZINE DIVISION STAFF

William Platt, President; Terrence McDermott, Executive Vice President; David S. Wexler, Vice President Foodservice Group; Thomas J. Dellamaria, Vice President Production and Manufacturing.

BUSINESS STAFF

Barry H. Reese, Publisher; Jane Young Wallace, Associate Publisher; Steven Mayer, Marketing Director; Perry Needleman, Marketing Assistant Director; M.R. Robinson, Vice President Foodservice Research; Karen Hallberg, Foodservice Research Associate Director; Ed Christ, Circulation Director; Denise Stolton, Circulation Manager.

BUSINESS OFFICES

Midwest: Rose Deneen, National Sales Coordinator; Marjorie S. Maca, District Manager; Howard Sipe, District Manager; Mark A. Strauss, District Manager; Frank J. Summers, District Manager; Susan Kallas, Sales Services Manager; Patricia E. Olson, Recruitment/Classified Advertising Manager, Cahners Plaza, 1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL, 60017-5060. Phone: 312/635-8800. **East Coast:** Robert Fisk, District Manager; William Lazar, District Manager, 8 Stamford Forum, P.O. Box 10277, Stamford, CT, 06904-2277. Phone: 203/328-2500. Michael Cardello, District Manager, 475 Park Ave. S., New York, NY, 10016-6999. Phone: 212/686-0555. **Central Area:** Jerry Stiegler, District Manager, 1621 Euclid Ave., Cleveland, OH, 44115-2186. Phone: 216/696-1800. **Southeast:** Thomas McElhinny, District Manager, Suite 170, 6540 Powers Ferry Rd., Atlanta, GA, 30339-2911. Phone: 404/955-6500. **West Coast:** Stephen Kosloff, District Manager, Suite H, 3637 Sacramento St., San Francisco, CA, 94118-1726. Phone: 415/922-6884. Rebecca Tonne, District Manager; Susan Brummett Green, Sales Representative, Suite 236, 12233 W. Olympic Blvd., Los Angeles, CA, 90064-1068. Phone: 213/826-5818. **Southwest:** Thomas McElhinny, District Manager, 12127 Carriage Hill Dr., Houston, TX, 77077-2508. Phone: 713/497-1095. Michael Cardello, District Manager, Suite 515, 13740 Midway Road, Dallas, TX, 75244-4314. Phone: 214/980-0318. **United Kingdom and Europe:** S.D. Ichbia, Director, Kingslea Press, Ltd., Griffin House, 18-19 Ludgate Hill, Birmingham B3 IDW, England. Phone: 021-236-8112.

ADVERTISING INDEX

For more information on the products advertised and featured in this issue, circle the number indicated on the Reader Service Card.

Advertiser	Inqiry No.
AM Mfg. (p.151)	63
Admark (p.149)	51
Alex Foods (p.80-81,152-C-D)	24,75
Alto-Shamm, Inc. (p.67-76)	16, 18,19,20,21,22,23
American Gas Association (p.128-A-R)	
American Permanent Ware, Inc. (p.3)	1
Amoco Foam Products Company (p.125)	41
Bakers Pride (p.152-E-F)	76
Basic American Foods (p.92-93, 152-G-J)	30,77,78
Borden Foodservice, Inc. (p.10)	74
Britt Tech (p.150)	58
CPC Foodservice, Thomas' English Muffin (p.85)	26
Calavo Growers of California (p.62-63,152-K-L)	15,79
California Avocado Commission (p.114-115)	38
Cambro (p.56-57,58-59)	12,13
Campbell Soup Co. (p.88-89)	28
Capitol City Prod. (p.144-A)	71
Carnation Co., Foodservice (p.120-121)	40
Castle & Cooke Foodservice, Dole (p.144-E)	
Castleberry Foods (p.119)	39
Classified Advertising (p.154-161)	
Coldwater Seafood Corp. (p.86-87)	27
College Inn, Del Monte Foodservice (p.50,50-A-B,51)	10
Commercial Aluminum Cookware Co. (p.127)	42
Crescent Metal Products, Inc. (p.147,152-M-P)	54,55,56,80,86-109
Del Monte Foodservice, College Inn (p.50,50-A-B,51)	10
Del Monte Foodservice, Grey Poupon (p.103,105)	33
Del Monte Foodservice, Ortega (p.50-51)	11
Delta Pride Catfish (p.141)	46
Dormont Mfg. Co. (p.150)	57
Equal Low Calorie Sweetner (p.94-95)	31
Fairfield Foods (p.128)	43
Fishery Products, Inc. (p.106-107)	35
Grey Poupon, Del Monte Foodservice (p.103,105)	33
Henny Penny Corp. (p.133)	44
Hobart Corp. (p.IBC)	69
The Homer Laughlin China Company (p.104)	34
Hunt-Wesson Foodservice Div. (p.7,8,9,152-Q-T)	
Idaho Fresh Pak (p.13)	5
International Cold Storage Co., Inc. (p.148)	53
Kitchens of Sara Lee Foodservice Div. (p.44-45,46-47,152-U-X)	8,9,82
Lykes Pasco Packing Co. (p.91,152-Y-BB)	29,83
MH Equipment (p.151)	59
Menu-Lite (p.152)	67
Milliken Visa (p.111)	36
Nabisco Brands Inc., Foodservice Div. (p.16-17)	6
National Federation of Coffee Growers of Columbia (p.BC)	70
National Pork Producers Council (p.82-83)	25
Oneida, Ltd. (p.146)	49
Ortega, Del Monte Foodservice (p.50-51)	11
Pierce Foods Corp. (p.52-53)	50
Plymold Booths (p.151)	60
Procter & Gamble, Whirl (p.41)	7
Readi-Bake, Inc. (p.61)	14
Ready Access (p.148)	52
Smucker Co., The J.M. (p.135)	45
The Southern Company Cp. (p.144-C-D)	72
Southern Ca., Gas (p.144-G)	73
Spatch Clean (p.150)	62
Sugar Foods Corp. (p.23,24-25)	
Superior Coffee and Foods (p.113)	37
Taylor Co. (p.100-101)	32
Taylor Woodcraft (p.152)	66

continued on page 163

RESTAURANTS & INSTITUTIONS, a Cahners publication.
1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 60017-5080. Phone: 312/635-8800.

BPA

Cahners Publishing Company, A Division of Reed Publishing USA ☐ Specialized Business Magazines for Building & Construction ☐ Electronics & Computers ☐ Foodservice ☐ Manufacturing ☐ Book Publishing & Libraries ☐ Medical/Health Care.

ABC

ABP

RESTAURANTS & INSTITUTIONS (ISSN 0273-5520) is published biweekly in national, demographic and separate editions by The Cahners Publishing Company, A Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. William M. Platt, President; Terrence M. McDermott, Executive Vice President; David S. Wexler, Group Vice President; Jerry D. Neth, Vice President/Publishing Operations; J.J. Walsh, Financial Vice President/Magazine Division; Thomas J. Dellamaria, Vice President/Production and Manufacturing. Circulation records are maintained at Cahners Publishing Company, 270 St. Paul St., Denver, CO 80206-5191. Phone: 303/388-4511. Second-class postage paid at Denver, CO 80206-5191 and additional mailing offices. Postmaster: Send form 3579 to our Denver address. RESTAURANTS & INSTITUTIONS copyright 1986 by Reed Publishing USA; Saul Goldweitz, Chairman; Ronald G. Segel, President and Chief Executive Officer. Annual subscription rates for non-qualified people: USA, $80; Canada/Mexico, $90; other countries, $103 for surface mail and $195 for air mail. Except for special issues where price changes are indicated, single copies of regular issues are available for $5, $6 and $7 (USA, Canada/Mexico and foreign). Please address all subscription mail to RESTAURANTS & INSTITUTIONS, 270 St. Paul St., Denver, CO 80206-5191.

JAN 7 1987

C1850-3
1/12/87

50 Years
R&I
1937-1987

RESTAURANTS & INSTITUTIONS

P0616966 (J041/ 00 BAG5273
8710 0000 ***
SRI ACQUISITIONS 333
CONGRESSIONAL INFO SVC 333
4520 EAST WEST HWY 333
BETHESDA MD 20814

JAN. 7, 1987

CONTENTS

Vol. 97 No. 1

BRIEFING
A summary for busy readers 4

COMMENTS
R&I's 50th anniversary 11

VIEWPOINT
R&I, the first 50 years 14

LETTERS
Readers' comments and concerns 16

R&I REPORT
Marketing: Ultras, the overlooked market 20
Security: Internal theft 22
Breakfast: Growth flat 23
R&I Data: Profits Now 23
Washington Update: More money for school breakfast 24
R&I Data: Expansion Plans 24

R&I EXCLUSIVE
1987 Annual Report 28
Macroeconomic Overview 38
Consumer Trends Overview 46
Full Service 54
Fast Food 62
Business & Industry 69
Schools 72
Hospitals 87
Hotel/Motel 96
Colleges 105
Military 110
Convenience Stores 115
Nursing Homes 120
Transportation 122
Retail 126
Recreation 130

MENUS
Menu Concepts: Taco Bell says hello to men 148
R&I Data: Menu Price Increases 149
Menu Census: Mexican food still hot 149
R&I Data: Food Cost Index 150
Operator Offerings: Wine's Quilted Giraffes 150
Menu Design: Bilingual menu 152
R&I Data: Average Price Increase 152

TASTE
Trends: 20 top trends for 1987 154

CHAIN DIGEST
Chain Q&A: Larry Mindel 166
Executive Profile: Roman Gallardo 168
Executive Street: 3 execs 172
Turnaround: Magic Pan looks to the future 172

LIQUID ASSETS
Thirsts of America 176

INDEPENDENTS
Fine Dining: Potomac brings Hollywood to D.C. 178
Bar & Grill: Columbia Bar & Grill 180
Hotline: Independent happenings 182

INSTITUTIONS
Health Care: Hospital consolidation 186
Colleges & Universities: NACUFS announces contest winners 188
Transportation: Inflight Food Services Association 190
Business & Industry: Avon's first course is first class 190
Hotline: Goings-on 192
Survey Card: Tell us what you think about your job 195

EQUIPMENT
Exhibition Cooking: The Boulders resorts to exhibition kitchen 200
Microwave Ovens: Microwave- and convention-oven cooking 202
Equipment Trends: Multi-use kitchen equipment 204
Interior Design: McDonald's, Larchmont, N.J. 206

MARKETPLACE
Menu Merchandising: Profit with poultry 208
Food Marketing: Poultry products 212
Bakers' Guide: Dessert made with leftovers 214
Buyers Mart: New products 216

CLASSIFIED ADS
Buying, selling, changing jobs 231

ACTION EXPRESS
For more product information 238

ADVERTISING INDEX
Where to find ads in this issue 238

READER SERVICE CARD
For more information 239

Real Dairy Discoveries, a service of American Dairy Association begins on page 131.

By the year 2000, there will be 41 million Americans between 50 and 65 years old.

■ MARKETING

Ultras: The Overlooked Market

Yuppies are overrated; it's the 50- to 65-year-olds who have spending power.

Yuppies drive BMWs. Ultras were driving BMWs when Yuppies were on training wheels. Yuppies are paying banks big mortgage money. Ultras paid off their mortgages years ago, and now banks are paying them with interest. Yuppies are having babies. Ultras' nests are empty and they are finally free to enjoy life to the fullest.

The 50- to 65-year-old set the media has labeled Ultras, however, have been surprisingly neglected from a marketing standpoint. There are 33 million Americans between the ages of 50 and 65, and by the year 2000, the group will surge to 41 million, the biggest increase in any age group. The Conference Board estimates that Ultras spend 20.1% of their income on items considered non-essential, compared to a 16.5% overall average.

But besides expensive, upscale restaurants, loyal Ultra customers have few places to call their own.

"We fell so in love with the Yuppies, but then it dawned on restaurateurs that Yuppies don't spend as much money and are not loyal," says Ron Plummer, a restaurant and hotel consultant well-known for his creative design and new restaurant concepts. "Yuppies go everywhere once or twice but then you won't see them again. All their money goes into fancy cars or that first house. They show the flash and look rich, but they really don't have much. They are very risky to design a restaurant around, whereas the Ultras are your new long-term customers."

Plummer adds, "There is a huge opportunity out there for people to grab this

Ultras historically have been a neglected market.

Consistency is key to gaining loyal customers.

market. I don't think there are many restaurants around that cater to this group. I don't think people are giving it that much thought and attention."

The Ultras are no longer considered over the hill. They are vital and tend to eat out more as a habit as opposed to cooking at home. *R&I*'s 1986 Taste of America survey showed that 16.2% of 50- to 64-year-olds will eat out more often next year compared to this year. The average is 13%.

What can restaurants do to gain a share of a very loyal Ultra market? In order of importance, Plummer says service, food and decor are the most important.

"Ultras expect very good service and they don't go to places where they don't get it, even more so than the Yuppies who think of bad service as being chic," says Plummer. "There is room for the mature waiter or waitress that disappeared when everybody had to look young and cute. They don't have to be 21-year-old twinkies anymore."

The definitive food for Ultras is American, according to Plummer. There is greater emphasis on better food preparation and fried foods are out. The food they prefer is hearty, colorful and raises wonderful memories.

Old-fashioned dishes such as baked country ham or half a roast chicken in a lemon herb sauce sound a bit sexy, says Plummer, but not boring, and with a health connotation.

"Ultras are into health, but they are not into health foods," says Plummer. "They are into what is perceived as fun, healthy and expensive quality. I call it ultrachic.

"They are quick to remember their childhood and they like nostalgia. So they will eat meat loaf, but they want it garnished with three or four steamed vegetables. They also like salads, but they hate salad bars because they don't like to stand in line for anything.

"When they do eat dessert, they only want the best. They will reward themselves quicker than other age groups. They love fresh, home-baked products. It brings back a little tradition," he says.

Always for the Ultras, the trend is toward quality. Fresh brewed coffee is not good enough anymore, it has to be fresh-ground brewed coffee. These little touches are what they pick up on fast and talk about.

Ultras have style. Many are single again. They have life and they want to dance. Therefore, atmosphere is a key ingredient. Light and bright colors work best, says Plummer. "They don't want dull, dark colors anymore. They have learned that blacks and browns are old. Their clothing is colorful and they want to look and feel young."

Many restaurants are close to wooing the Ultras, but are too old-fashioned, says Plummer. All it would take is a little paint and a little doctoring of the menu and operators can grab on to this growing share of the market.

Plummer warns that some of the casual/theme restaurants had better do something soon because they are hurting. The fern bars are not packed to the rafters anymore. Plummer suggests reintroducing nostalgia to the menu; toning down the bars by getting rid of all the dark brown wood and Tiffany glass.

If some shrewd operators and investors can pick up this growing market segment, they could become ultrasuccessful.

—Jeff Weinstein

Many food and equipment companies have successfully entered the foodservice market under the direction of Ron Plummer. He is well known for his creative design and new concepts in restaurants and has been responsible for the creation of many new restaurants. He has redesigned both menus and restaurants, which have gone on to enjoy increased sales.

PROMOTING: SUCH A DEAL!

Even though Ultras have money, they are still conscious of what they can save. Following are types of promotions 55- to 64-year-olds are likely to use.

Two-for-one	50%
Meal specials	40
Cents-off coupons	37
All-you-can-eat	36
Price reductions: midweek dining	31
Senior discounts	28
Introductory menu item promotions	23
Early-bird specials	22
Special events	13
Games and contests	9
Premiums, non-food merchandise	6

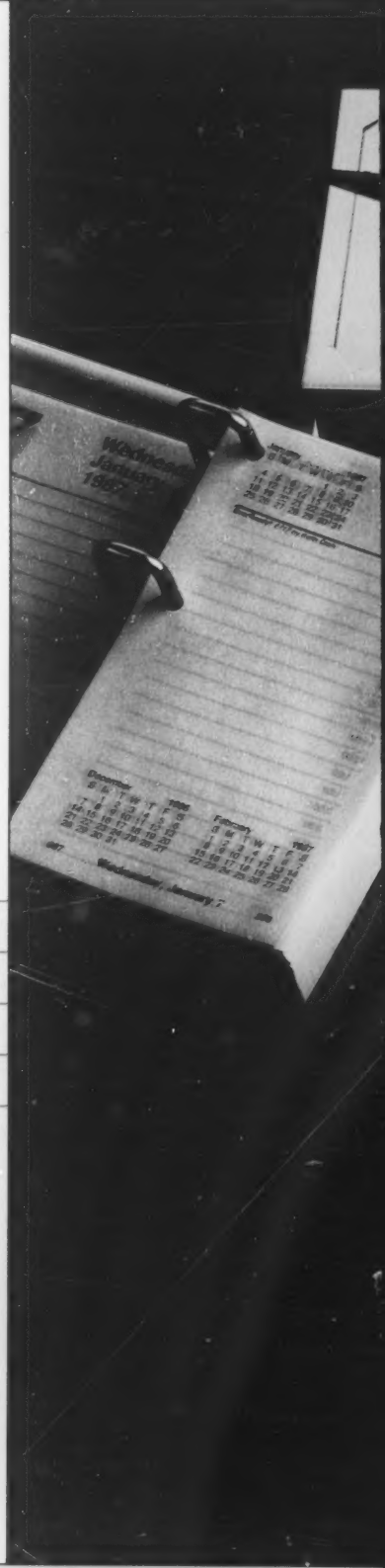
Source: National Restaurant Association

R&I EXCLUSIVE

■ **FORECAST**

From *Restaurants & Institutions*' vantage point, the opening moments of 1987 indicate the key words for foodservice pros are durability and flexibility. While our 1987 Market Forecast settles on a final figure of 1.5% real growth for 1986 (better than our original prediction of 1.4%), we are saying that 1987 will be just about the same, another 1.6% of real growth to $215 billion, the seventh straight year the industry has improved its position, an achievement made more admirable by the many social and political challenges it now encounters. In spite of these, all signs suggest stable expansion, and it is this climate that will find out who the "stayers" are, those "400" companies and small operators who have mastered the art of both growing their business, but not too fast, and satisfying the demanding late-'80s consumer who wants an experience that is paradoxically new and old.

1987 ANNUAL REPORT

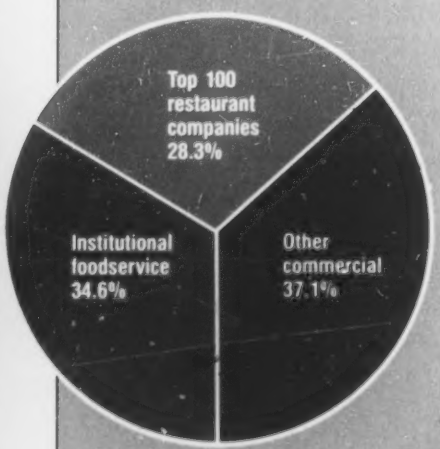


1987 ANNUAL REPORT

COMMERCIAL, INSTITUTIONAL SALES SPLIT AT 65%-35%

The volume of the 100 largest restaurant companies increased this year to more than 28% of all foodservice sales. Other commercial operations (smaller chains and independents) account for more than 37% of total sales, with institutional at 35%.

% of sales



Source: Technomic Consultants
©1987 *Restaurants & Institutions*, a Cahners publication.

Today's customer has succeeded in 'having it both ways' and operators must deal with this.

How do flexibility and durability figure in the context of this year's foodservice market?

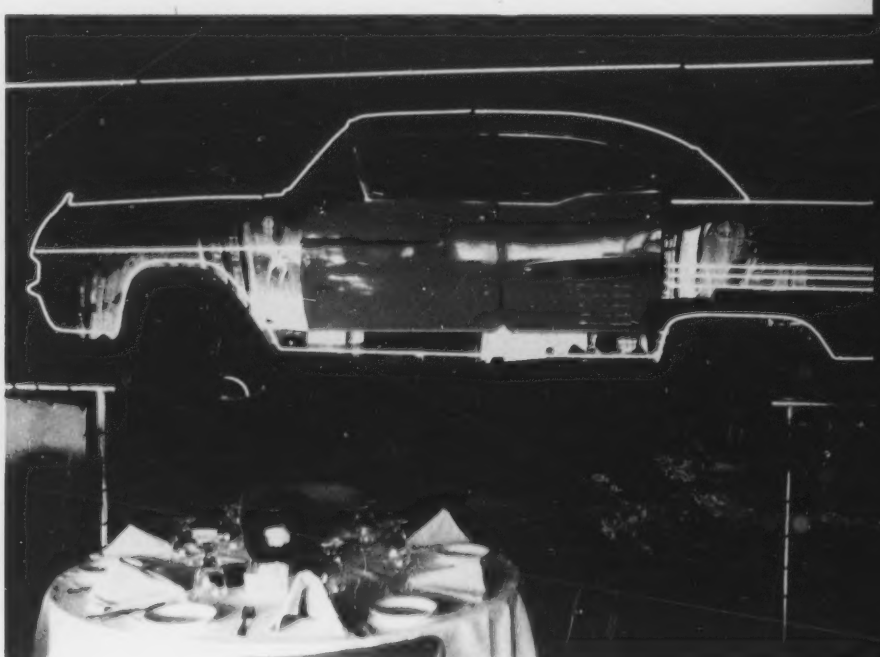
The eclecticism once seen as faddy has settled in as a standard pattern, and consumers have succeeded in "having it both ways," with the trend-setting and familiar rolled into one. Operators are geared up to deal with the picky, "tasting" mentality of the fast-track big spenders and at the same time are reviving the enthusiasm of mainstream customers who aren't given naturally to experimenting with new foods. In short, the cafeterias, coffee shops and country-cooking chains are getting just as zippy as the chic California, Chicago and New York grills and bistros—and the "regulars" are loving it.

Operators who find themselves on top of the situation have stretched to meet new demands but not made the mistake of overcommitting their resources to the point of hurting profits or even driving themselves into Chapter 11. It has been, and will be, a tricky game to play, trying to keep up with the new consumer and not hurt one's business in the process.

And, complicating matters, the economy while steady is basically sluggish, so it's a bit like doing acrobatics in molasses. Looking at the macro picture, we see a pattern in which the Gross National Product hit 2.6% last year but industrial production was flat. The majority of economists that we talked with say the GNP will grow only a modest 2% or so and the Consumer Price Index will be at 3.6%.

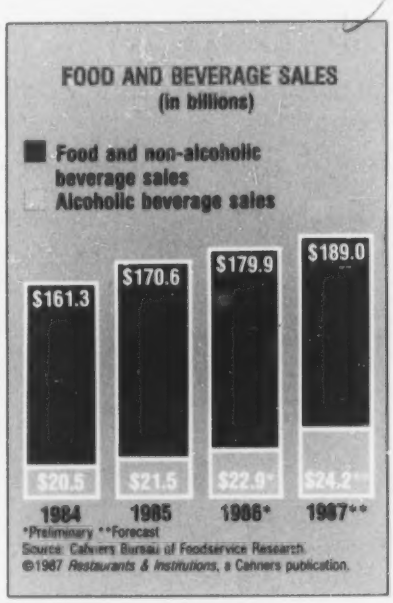
On top of this, there are numerous other elements that could play havoc with the general economy and the foodservice industry. Among them are the impact of tax reform; foreign competition; the uncertainty of the oil market; farm problems; the growing deficit (in spite of Gramm-Rudman); boom or bust regional economies; major changes in corporate and industrial structures brought about through mergers,

Neon, art deco and '50s antiques set the scene for the rebirth of an American classic —the diner.



acquisitions, buyouts; and, in some cases, the radical reorganization of an entire industry, such as the steel industry.

On the consumer side, the picture seems more predictable. Cahners Economics Department charts steady growth on its Consumer Confidence Index, up (on an index of 100) from 96.0 to 98.4. During 1987, disposable income should be up about 3.5%. In spite of the fact that big-ticket spending continues, foodservice spending also has grown at a favorable pace. This year 43% of food dollars will go for eating out, while grocery purchases show a decline. Another important consumer note is that tax reform is expected to help low-income groups and is likely to fuel the fast-food sector. At this point, no one can measure the impact of the 80-20 rule on high-end establishments.



The trends

Look for some of these industry trends to help shape marketing plans for 1987 and beyond:

•Chains will seek new outlets—hotels, office buildings, highways, food courts and malls.

•Takeout is destined to expand; home delivery is still some time away from becoming mass experience, there will be many experiments in satisfying consumer demand for faster and easier foodservice experience.

•Downscale markets will be upscaled; Mainstream of the eating-out public will continue to become more sophisticated.

•Institutional segments will become more commercial and make a better fight for share of market; they will start to link up more effectively.

•"Brick and mortar" and innovative designs still will be critical to attracting customers, but sense of intimacy and closeness will become strong theme, too.

•Love affair with both spicy foods and more exotic ethnic offerings will continue; familiar ethnic foods such as Mexican, Northern Italian and Oriental will show good gains.

•Comfort foods and baked goods will fit into the "new traditionalism" pervading the country.

•Operators everywhere will look beyond the Yuppies to other groups—"ultras," over-60s, families—for growth and stability.

•California and New York will continue to create and export trends and experiments, to be picked up rapidly by top 20 markets.

•Rampant "foodism" abetted by all media will create strong climate for consumer spending and growth of foodservice industry.

The segments

Full-service restaurants still will be ruled by independents. Bistros, in various forms, will provide stiff competition for fine-dining and casual/theme operations. Cafeterias will continue to

1987 FOODSERVICE MARKET DOLLAR VOLUME FORECAST

R&I projects the seventh consecutive year of real growth for the foodservice industry in 1987. Real growth will be 1.6% with total sales (excluding alcoholic beverages) of $189 billion. Strongest gains will come from full service, fast food and convenience stores.

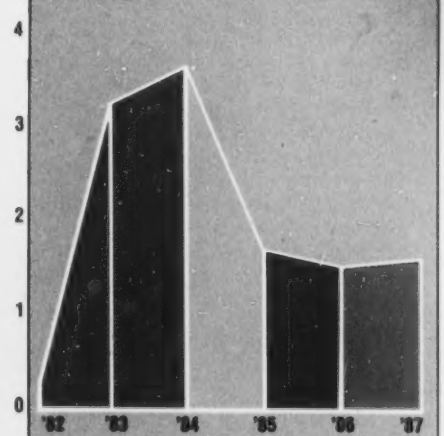
Sales by segment in millions	1984 actual	1985 actual	1986 estimate*	1987 forecast*	1985-86 real growth	1986-87 real growth	Market share
Full-service restaurants	$ 51,949	$ 54,754	$ 57,437	$ 60,079	+0.9%	+1.2%	31.8%
Fast-food restaurants	46,564	49,917	53,361	56,509	+2.9	+2.5	29.9
Employee feeding	11,438	12,307	13,132	13,815	+2.7	+1.8	7.3
Elementary and secondary schools	11,193	11,853	12,564	13,117	+2.0	+1.0	6.9
Hospitals	9,078	8,987	9,077	9,404	−3.0	+0.2	5.0
Hotels and motels	6,840	7,189	7,513	7,829	+0.5	+0.8	4.1
Colleges and universities	5,743	5,944	6,158	6,343	−0.4	−0.4	3.4
Military	3,916	4,132	4,339	4,495	+1.0	+0.2	2.4
Convenience and grocery stores	3,073	3,383	3,708	4,116	+5.6	+7.6	2.2
Nursing homes	3,331	3,518	3,718	3,922	+1.7	+2.1	2.1
Transportation	2,216	2,387	2,540	2,667	+2.4	+1.6	1.4
Retail stores	2,238	2,345	2,418	2,510	−0.9	+0.4	1.3
Recreation facilities	2,107	2,217	2,301	2,407	−0.2	+1.2	1.3
All other foodservice	1,581	1,654	1,728	1,832	+0.5	+2.6	1.0
TOTAL FOODSERVICE MARKET	$161,267	$170,587	$179,994	$189,045	+1.5%	+1.6%	100.0%

*Inflation factors: in 1986, 4.0%; in 1987, 3.4%. Source: Cahners Bureau of Foodservice Research. ©1987 *Restaurants & Institutions*, a Cahners publication.

1987 ANNUAL REPORT

REAL GROWTH FOR SEVENTH YEAR IN ROW

The rate of growth for foodservice continues to accelerate as 1986 showed a 1.5% increase and 1987 looks even better at 1.6%. Economic conditions holding, 1987 should lead to an even better 1988.



Source: Cahners Bureau of Foodservice Research.
©1987 *Restaurants & Institutions*, a Cahners publication.

Operators everywhere will look beyond the Yuppies to other groups for growth stability.

hold their own, while steakhouses pursue the search for a stronger niche.

Fast-food companies can expect modest growth, around 2.5%, but many are proceeding with caution. As an example, Wendy's, which traditionally aims to open 500 stores a year, now says it will do 260 during 1987. Others are following suit. Price-value relationship has become even more important in quick service as consumers do comparison shopping.

For some fast-food chains, a re-evaluation of their niche might lead to repositioning. Some already are looking into joint ventures (Hardees and 7-Eleven, Wendy's and Baskin-Robbins, to name two) in search of new ways to expand. Fast-food chains also have to deal with the impact of the convenience store campaign to capture more of the quick-service market. The larger trend confronting chains is convenience in every form, whether takeout, delivery or mobile foodservice.

C-stores keep expanding at a brisk clip, as they look to a second consecutive year of better than 7% real growth. It is likely that there will be more mergers and acquisitions as the two big players—7-Eleven and Circle K—absorb smaller companies, or medium-sized companies acquire smaller firms to compete more successfully. Circle K's latest advertising campaign stresses the main appeal of all C-stores as the "everything-in-one" unit. C-stores also

Another example of back to the future— the drive-in-and-thru — drives today's marketing.

are working hard to polish their image as a place for white-collar customers.

In the hotel and motel segment, the situation is best described as "overbuilt and flat." On the other hand, the lodging industry is aggressively marketing suites, selected amenities and finding more ways to build a variety of foodservice outlets in new units.

Schools and colleges will show new food faces in 1987. Schools are broadening menus and adding spice to decor. Colleges are offering more a la carte menus and increasing the use of debit cards for meal payments.

Health-care facilities are recovering from diagnostic-related groupings. Hospitals are becoming expert at selling their food wares outside the hospital. They are tiering their service, so those who want amenities can get them, as in room service beyond the normal meal hours. Nursing homes, still a hot segment, are diversifying their facilities to include more life-care programs and specialized wings to serve those afflicted with Alzheimer's disease.

—Michael Bartlett

COMPARING THREE SCENARIOS FOR 1987 FOODSERVICE SALES

Forecasts for sales activity during 1987 indicate a slight difference of opinion among *Restaurants & Institutions*, the National Restaurant Association and Technomic Consultants. *R&I* and Technomics predict the same conservative overall real growth rate of 1.6%, although individual segment growth rates vary, while the NRA projects a more optimistic 2.4%. All three forecasts look for growth in the fast-food segment.

Segment, sales in millions	*Restaurants & Institutions* (3.4% inflation) '87 sales	Real growth	National Restaurant Assn. (4.0% inflation) '87 sales	Real growth	Technomic Consultants (3.4% inflation) '87 sales	Real growth
Full service*	$60,079	+1.2%	**$71,280**	**+2.3%**	$58,289	+1.1%
Fast food	56,509	+2.5	**55,833**	**+3.4**	59,614	+3.0
Hotels and motels	7,829	+0.8	**12,270**	**+2.9**	6,576	0.0
Recreation	2,407	+1.2	**5,944**	**+1.0**	6,393	+2.0
C-Stores/Supermarket delis*	4,116	+7.6	—	—	1,807	+7.0
Other Retail: Dept./Drug*	2,510	+0.4	**8,062**	**+9.8**	3,469	+1.3
Bars/Taverns*	—	—	**8,757**	**−1.0**	1,171	0.0
TOTAL COMMERCIAL	$133,450	+1.9%	**$151,461**	**+3.0%**	$136,148	+2.0%
Business/Industry	$13,815	+1.8%	**$6,797**	**+1.2%**	$14,039	+1.5%
Schools	13,117	+1.0	**4,152**	**+0.8**	13,050	+1.0
Hospitals	9,404	+0.2	**7,914**	**−7.0**	9,673	−1.0
Colleges/Universities	6,343	−0.4	**5,132**	**−0.1**	5,634	−0.5
Military	4,495	+0.2	**1,008**	**−1.4**	5,450	+0.5
Nursing homes	3,922	+2.1	**4,148**	**−5.4**	3,937	+2.0
Vending*	—	—	**4,282**	**−1.9**	13,268	+1.5
TOTAL INSTITUTIONAL	**$55,595**	**+1.0%**	**$33,330**	**+2.0%**	**$70,224**	**+0.8%**
All other foodservice*	$1,832	+2.6%	—	—	$2,044	+0.5%
TOTAL FOODSERVICE MARKET	$189,045	+1.6%	**$197,500**	**+2.4%**	$206,372	+1.6%

*See accompanying notes for explanation of segment. ©1987 *Restaurants & Institutions*, a Cahners publication

RESTAURANTS & INSTITUTIONS

Note: No alcoholic beverage sales are included. Commercial cafeterias are included in the full-service segment.

Convenience includes grocery stores.

Separate drinking place food sales are included in full service.

Vending sales are included in the market segment where they occur.

In all institutional (captive) segments, figures are calculated as commercial-sales equivalents, based on food purchases. Food contractor sales are included in the segment where they occur.

"Other" includes primarily social clubs, prisons and recreational camps.

NATIONAL RESTAURANT ASSOCIATION

Note: NRA includes alcoholic beverage sales in all figures. In the institutional (captive) market segments, only actual dollars spent are reported.

Commercial equivalents are calculated for nursing homes. Sales for food contractors are added here to the segment where the sale occurs. Vending figures include only food and beverages. Commercial cafeterias and social caterers are included in full service.

Military figures are for the continental United States only. Convenience store food sales are part of retail.

TECHNOMIC CONSULTANTS

Note: Transportation figures are from airlines only. Alcoholic beverage sales are not included in any market segment.

In all institutional (captive) segments, figures are calculated as equivalent commercial sales, based on food purchases.

Vending sales include all food and beverages.

Separate drinking place sales are food only.

"Other" includes prisons, convents, clubs, railroads, ships and miscellaneous segments. Total institutional includes other captive. Grocery stores are included in other retail.

1987 ANNUAL REPORT

■ MACROECONOMIC OVERVIEW

All Revved Up but Going Nowhere: Economy Plods On

Indicators suggest more of the same during 1987.

With the current lineup of favorable economic conditions—the decline in the value of the dollar, little to no inflation, lower interest rates and inexpensive oil prices—the economy should be bustling along at an impressive pace. Instead, it seems to be going nowhere. The real gross national product increased a modest 2.6% this year, and industrial production remained virtually flat. Even Wall Street gave analysts a run for their money this year as stock prices soared ahead, but then reversed and took an impressive two-day, 120-point tumble. Trying to make sense out of these economic indicators isn't easy.

Recession is on the mind of several analysts. Data Resources Inc. of Lexington, Mass., says that if the foreign trade deficit hadn't turned around by the end of 1986, a recession could occur. James Christian, chief economist for the U.S. League of Savings Institutions, says the economy is on the brink of recession, yet predicts 1987 will hold modest economic growth, slightly higher inflation and a great increase in the construction of single-family homes. Prudential-Bache, Arthur D. Little and Business Economics Inc. also are predicting a recession.

On the other side of the coin, the Reagan administration is projecting a 4% increase—the same size increase it incorrectly predicted for 1986. Of the 50 economists surveyed by the influential *Blue Chip Economic Indicators* newsletter, only two—Prudential Insurance and Morris Cohen & Associates—agreed.

Some consideration should be given to the ideas of John O. Wilson, chief economist for the Bank of America. He won the 1986 Silbert Economic Forecasting Award from *Blue Chip* for his accurate projections for 1983, 1984 and 1985. His projection for 1986 appears to be right on target and his thoughts for 1987 suggest a 2.2% increase in the gross national product and a 3.6% rise in the Consumer Price Index.

Wilson told *The New York Times* major structural changes—including lower inflation, a huge increase in the federal budget deficit and a sweeping overhaul of tax laws—are taking place in the American economy.

Long-term expansion seen

Restaurants & Institutions has reviewed these indicators and determined the economy is in the midst of a long expansion that began in 1983 and will extend into 1989. But not all sectors are sharing in this growth. Industrial markets are currently in a contraction period, while consumer and service markets are continuing to expand. Next year, industrial markets will begin to turn around, feeding consumer income and fueling further growth in consumer and service markets. Real GNP will return to the slightly above-average growth of 3.4%.

Three things worked against U.S. industrial markets this year: the energy collapse, an inability to compete with foreign products and general cyclical weakness.

The free fall in oil prices in early 1986 virtually put an end to oil rigging activity. It has had a negative impact on natural gas production as well because gas prices were forced down to stay competitive with oil.

In November, a three-member pricing committee from the Organization of Petroleum Exporting Countries met in Ecuador in hopes of laying the foundation for higher oil prices and a return to a fixed-price system, a system that had operated efficiently from 1960 until December 1985. U.S. analysts were divided on whether the committee and OPEC as a whole, scheduled to meet in December, would be able to reach an agreement.

Restaurants & Institutions believes the firming of oil prices, while not providing a great boost to the energy industry, will create enough stability to encourage the remainder of the economy to move ahead next year.

Another drag on the economy has been the impact of foreign competition. Even though the dollar, by Federal Reserve estimates, has declined by more than 30% against foreign currencies, little improvement has been seen in the balance of trade.

Some U.S. legislators are making overtures that they will take matters into their own hands. Led by Rep. Daniel Rostenkowski (D-Ill.), 13 congressmen journeyed to Japan, South Korea, Hong Kong and Thailand during November. Their message was simple: Countries that do not open their markets to American goods can expect retaliatory legislation.

"We are not here to demand; we are just delivering a message," Rostenkowski told a press gathering in Tokyo.

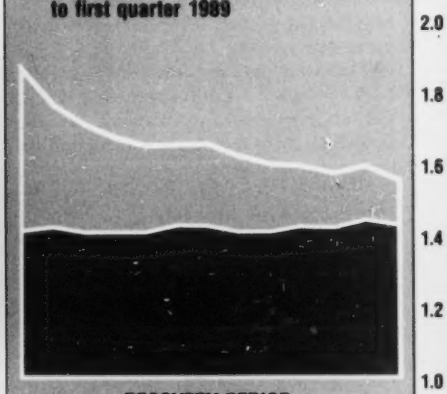
Rep. John Duncan (R-Tenn.), another tour participant, says because of these electoral changes and a general change in attitude, Japan no longer will be able to hide behind anti-protectionist Republicans. "Trade has become a non-partisan issue," says Duncan.

But all is not bleak with the international trade situation. One economist states that the perception of the situation is based on misleading statistics. And a new book suggests that Japan can be conquered financially if the country is approached properly.

According to Irwin Kellner, chief economist at Manufacturers-Hanover Bank, the dollar really has declined by only 4% from its peak in February 1985, not the more than 30% estimated by the Federal Reserve Board.

Domestic oil production has dwindled since world oil prices plunged in 1986. OPEC was trying to return to a fixed-price system as the year ended.

RATIOS INDICATE TIGHTER CONTROLS
During the previous economic recovery period (the second quarter of 1975 through the second quarter of 1978), sales-to-inventory ratios were significantly higher than actual and forecast figures for 1986 to 1989. This indicates tighter management control and milder cyclical swings.



*R&I forecast
Source: Cahners Bureau of Foodservice Research
©1987 Restaurants & Institutions, a Cahners publication.

1987 ANNUAL REPORT

■ **MACROECONOMIC OVERVIEW**

As inventories hit new low, manufacturers will regear for higher production.

He has developed an alternative measure of the trade-weighted value of the dollar based on the currencies of our 17 largest trading partners, weighted by their share of U.S. trade.

The Federal Reserve index, by contrast, is out of date; it measures the currencies of countries that account for only 38.5% of our current trade. Nonetheless, further declines in the value of the dollar should provide a small boost to the industrial economy during 1987.

"Second to None: American Companies in Japan" is Robert Christopher's assessment of U.S. companies that prosper in Japan. While it concedes there have been more failures than successes, the successes—among them Baskin-Robbins, Coca-Cola, Schick, McDonald's and Tupperware—are quite noteworthy.

The book provides no easy solutions, but it does warn against one sure way to fail: an overwhelming concern for success the next quarter and no regard for long-term planning.

Inventories hit new low

Inventory-to-sales ratios reached record low levels in mid-1986 and have encouraged producers to add to current stock. Further inventory rebuilding is expected during 1987. Together, these factors will push industrial production up 3.6% next year.

Consumer spending for durable goods will receive a small boost from this increase in industrial activity. After adjusting for inflation, consumer durable goods spending will increase 3.3% in 1987 after growing a more moderate 2.4% in 1986. With consumer indebtedness high, the economy can't expect to receive a large boost from this sector in the near future.

Spending for non-durable goods is less affected by cyclical changes and will gain less from next year's increased activity. Non-durable goods spending will increase 1.9% next year on a real basis. Consumer expenditures for purchased meals and beverages will increase at a faster 3% pace.

But gains in the coming upturn will be more muted than in previous business cycles. In contrast to the boom-bust situation of the 1970s and early 1980s, the economy is expected to move in a more narrow range during the next few years. Business cycles will be shorter and milder because of several changes in our economy: inventories are better controlled, industrial capacity is more flexible, the cost of capital is lower and few supply shortages are expected for raw commodities.

This moderation in economic activity will have a positive effect on inflation. Although the deflation recently seen in energy and food is probably a thing of the past, inflation is expected to be held in check in the foreseeable future. Producer prices for finished goods will rise 3% next year after falling 0.9% in 1986. Consumer prices will rise only 2.6% after their 1.7% increase this year.

Another significant drag on this year's economy has been political: the continuous debate over tax reform. And while economists aren't giving the final legislation high grades for its expected impact on economic growth, its passage creates certainty in the marketplace that allows both economists and businessmen to be more sanguine about the economy's future course.

Basically, the tax package lowers total individual taxes and raises total business taxes. The end result is to increase the tax on production and cut the tax on consumption. While this may be an initial boost to consumer and service markets, in the long run, consumers eventually will pay the cost of increased corporate taxes. Higher business taxes will find their way through the financial system in the form of higher prices, lower dividends to stock holders and tighter constraints on wage settlements.

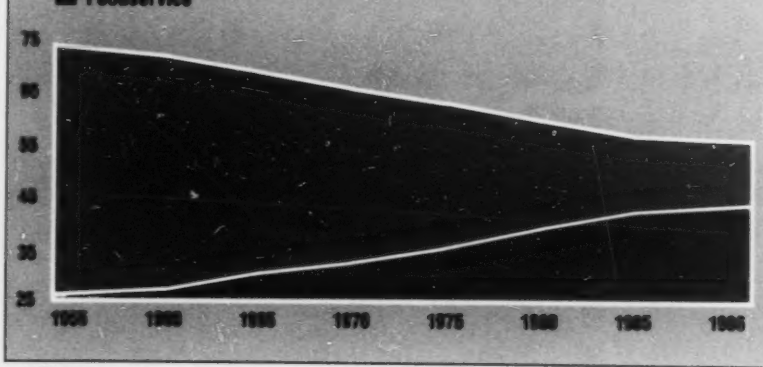
What all this means will unfold in the next few months. In the meantime, *R&I* believes its predictions of a real GNP growth of 3.4% during 1987 will hold true as the economy builds toward the 1990s.

—Kim Kennedy
—Brad Stratton

Warehouses were holding less stock during 1986 as inventory-to-sales ratios hit a new low. This should contribute to increased manufacturing in 1987.

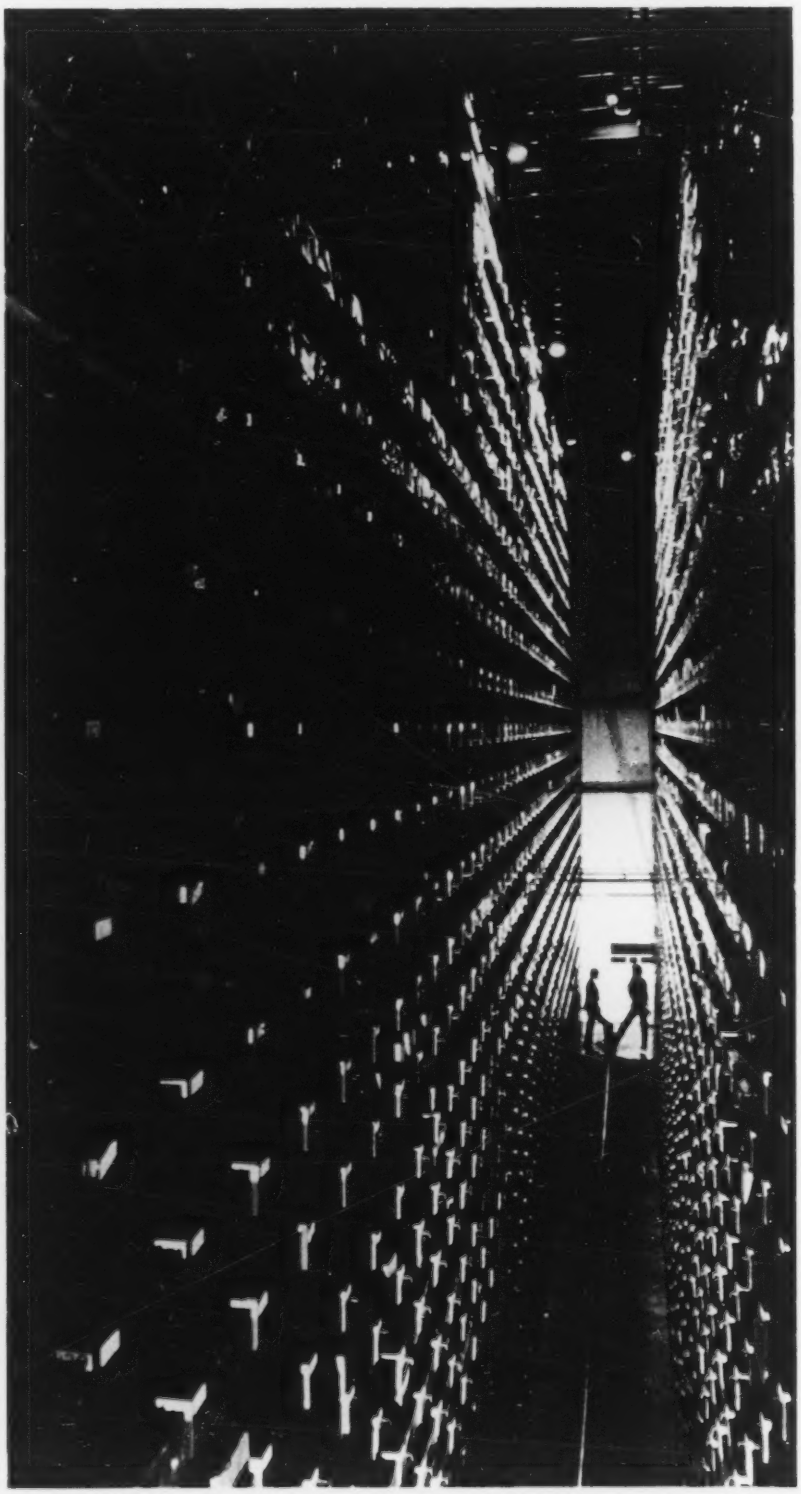
FOODSERVICE CAPTURES GROWING SHARE OF TOTAL FOOD DOLLARS

The trend continues: As it has since 1955, foodservice claimed a larger share of American's food dollars than it did the previous year. The estimate for 1986 shows the foodservice percentage is creeping closer to a 50-50 split with retail sales. The 0.4 percentage point increase from last year represents slightly less than a 1% increase.



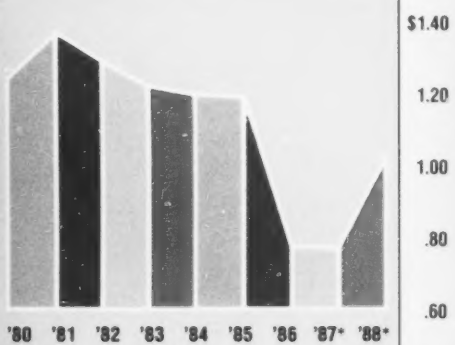
*USDA preliminary estimate. Source: U.S. Department of Agriculture Economic Research Service

©1987 *Restaurants & Institutions*, a Cahners publication.



GAS PRICE DROP IS GOOD AND BAD NEWS

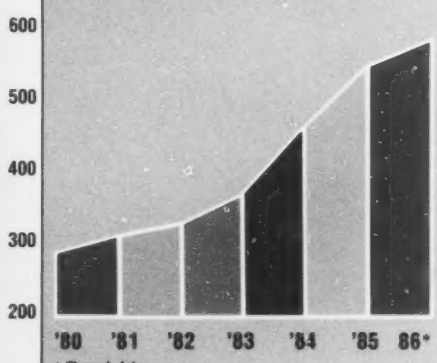
Consumers have more disposable income, thanks to the 35.6% drop in the price of a gallon of unleaded gas compared to last year. However, the price decrease has made domestic production of gas unprofitable, depressing areas of the country that rely on oil for income.



*R&I forecast
Source: Cahners Bureau of Foodservice Research
©1987 *Restaurants & Institutions*, a Cahners publication.

1987 ANNUAL REPORT

OUTSTANDING CONSUMER CREDIT
While outstanding consumer credit has increased nearly 80% since 1980, growth in foodservice sales has not been stifled. So the effect of skyrocketing credit on Americans' decisions to eat out appears to be minimal.



* Through July
Source: U.S. Department of Commerce

■ **CONSUMER TRENDS OVERVIEW**

Foodservice is a Constant of Consumer Spending

Industry growth is not affected by sales of big-ticket items.

In the battle for the consumer dollar, foodservice competes well with other industries. Even when spending on big-ticket items increases, foodservice sales continue to grow at a steady pace.

For example, lower interest rates have made the ultimate big-ticket item, a home, more affordable. Housing starts for 1986 are projected to grow 4.2% compared to −0.3% in 1985 as the baby-boomers are having an "echo" boom and reaching the stage where they have become today's conspicuous consumers. But during the same period, foodservice-sales growth did not suffer, steadily growing along at a 1.5% annual rate.

New-car sales also were stimulated in late summer by low finance charges. The now-famous 2.9% plan began in mid-August, swamping auto dealers with prospective customers. Wall Street analysts said foodservice sales would suffer because of the buying wave. But during the same month, *The Food Institute Report* cited a hefty 9.5% increase in eating-out sales during the same period a year ago.

Increases in remodeling expenditures peaked at 41.3% in 1984. But in the same year, foodservice sales increased by 4%. Again in 1986, foodservice sales show little effect of a 17.9% increase in remodeling expenditures.

Major appliance shipments dropped from a 22% increase in 1984 to a 5% increase in 1986, which should leave consumers with more disposable income for non-durable goods. Sales of microwave ovens and VCRs also are beginning to level off.

Real growth in all retail sales has been declining since 1984 when it peaked at 5.9%. It will grow only 1% in 1986, according to the Department of Commerce. But while many industries battle volatile swings in sales performance, the foodservice industry perseveres with a steadier growth rate.

Foodservice sales growth also is continuing its 30-year trend of outpacing grocery store sales growth. In 1954, total foodservice sales were 25% of the total market vs. 75% for retail grocery. At the present rate of growth, foodservice sales will account for 50% of American's food dollar by the year 2000. But grocery stores are beginning to react to the changing life styles by increasing availability of prepared foods and holding the inflation rate below that of restaurants.

While eating-out sales have grown at better than a 2% average annual rate since 1983, consumers are spending less of their disposable income in restaurants. Analysts at Alex. Brown & Sons Inc. say that in 1984 and 1985, the eating-out spending percentage dropped from 4.92% to 4.77%, accounting for more than a 1% decrease in eating and drinking sales. But how reasonable is it to expect consumers to keep increasing frequency of eating

out? These figures appear to indicate that foodservice has reached maturity.

One reason for what has been termed "sluggish" sales growth over the past two years has been overbuilding. Industry unit expansion jumped to 6.7% in 1985. Profits have been spread too thin and margins are weaker. But most of the large chains, which accounted for about 70% of the expansion, are planning to decelerate their unit growth. PepsiCo has indicated it expects Taco Bell to grow by only 260 units a year from 1987 to 1990, down from 300 a year in 1985 and 1986. So those operators who have staying power should see improved margins because of expected industry shakeout starting in 1987.

The tax-reform bill also will have some interesting side-effects on the foodservice industry. While business taxes will increase, operators can benefit because personal tax rates will be lower. Consumers should be walking around with more money in their pockets, giving restaurateurs a boost in sales.

Experts say $140 billion in taxes will be shifted from consumers to business. Cahners Economics estimates that approximately 5% of consumer expenditures go to eating out, suggesting that the industry could reap an additional $7 billion in revenue.

Since low-income consumers stand to benefit the most from the new tax tables, the greatest gains in sales should go to the already healthy fast-food industry and the growing convenience-store fast-food market, which *R&I* predicts will show real growth in 1987 of 7.6%.

On the downside of the tax bill, upscale operators will have to hustle to hold on to their share of business meals since the business-meal deduction has been cut to 80%.

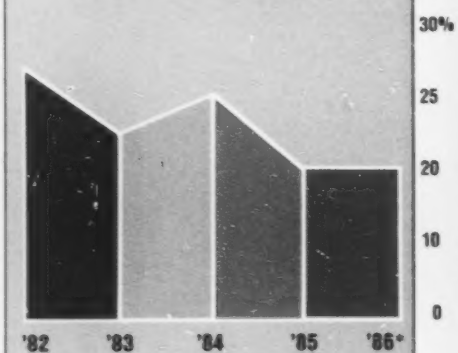
Ultimately, however, the new tax plan is expected to have only a marginal effect on the foodservice bottom line.

According to forecasters at Cahners Economics, the long-term outlook remains positive because changing demographics, growing employment and personal income all favor the eating-out life style.

At the present growth rate, eating-out sales will account for 50% of America's food dollar by the year 2000.

PERSONAL SAVINGS AS A PERCENTAGE OF DISPOSABLE INCOME

Personal savings as a percentage of disposable income has declined from 27% in 1982 to 20% in 1986. Presumably, consumers chose to retain more money for luxuries like eating out because the reduced savings cannot be pinned on high inflation.



* estimate
Source: U.S. Department of Commerce

1987 ANNUAL REPORT

The labor-force participation rate of married women with children younger than age 6 has increased from 12% in 1950 to 54% in 1985, rising above the rates for married women with no children.

■ **CONSUMER TRENDS OVERVIEW**

America's Older Face Good for Foodservice

America's demographic profile is changing, and mostly for the good of foodservice.

Because one-third of Americans belong to the baby-boom generation, household trends are dominated by baby-boom life styles. The oldest members of the boom are reaching middle age, when buying power and eating-out tendencies begin to peak.

The number of traditional home meals will continue to decline. By the year 2000, families will comprise only two out of three households, down from three out of four today. Married couples will live in just over half of all households, down from 58% in 1986.

By 1986, nearly 52 million women were working, about 200% more than at the end of World War II. Women's share of the labor force has grown from 29% in 1948 to 45% by 1985. So, gone are the days when mom stayed home.

The mother of the '80s has little free time and is likely to provide for her family by stopping at a favorite takeout place or gathering the children for a restaurant meal. Some working mothers, however, do not want to compromise their culinary standards. Midscale to upscale operators are making changes to accommodate families so instead of making faces at snails and rack of lamb, children are being offered their own menu. At the Wharton School of the University of Pennsylvania, Professor Jerome Katz thinks restaurants may begin placing highchairs near the windows so the establishment will not look intimidating to families.

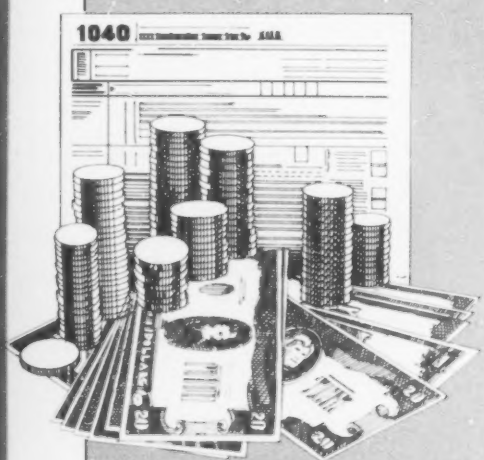
The labor-force participation rates of married women with no children at home (many of them elderly) rose from 30% to 48% in the past 25 years. Married women with children between the ages of 6 and 17 more than doubled their participation, from 28% to 68%.

Experiencing unprecedented prosperity are senior citizens. The Conference Board in New York City says Americans over 50 have half the country's discretionary spending power. Over-65ers control an average of $5,219 each a year, as compared with $2,904 for those between 35 and 50 years of age. It also says consumers between the ages of 50 and 65 spend 20% of their income on non-essential items, compared to a 16.5% overall average.

—Jeff Weinstein

Americans over 50 are experiencing greater spending power.

1987 ANNUAL REPORT



LESSER OF TWO EVILS?

In the recent hullabaloo over the 80% deductibility of meals-for-business in the recent tax-reform law, we may be turning a deaf ear to a much more serious problem: liability insurance. "This is a national problem," says L. Edwin Brown, executive director of the American Culinary Federation based in St. Augustine. He feels meal deductibility is the lesser of two issues. "A certain segment of the population, and several segments of the foodservice industry are not affected by this clause," says Brown, "But everyone is affected by liability and the insurance crisis. Skyrocketing rates (some have quadrupled in one year) are a major thorn in small operators' sides and in the sides of large operators as well—because they must pass these costs on to customers." Brown cites three avenues of relief: legislation, education and public awareness. "Florida has legislated against outrageous premium increases," says Brown who feels that "insurance companies have not done a good job in creating public awareness and education." Brown would alert "judges and juries who award multimillion dollar settlements to realize where those dollars ultimately come from—their own pockets."

■ FULL SERVICE

1.2% Growth Depends on Menu, Market Niche

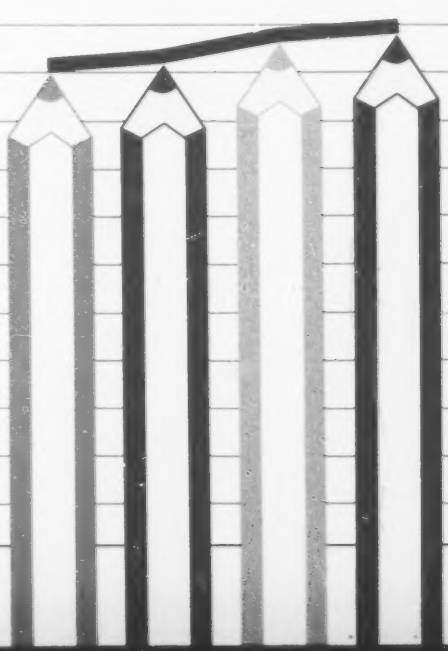
Fine dining faces competition; new family demographics.

Although industry analysts are painting a brighter future for full service in 1987 (some downright rosy), even the most optimistic concede the future will not be uniformly bright for everyone in this widely varied segment. Fine-dining restaurants will struggle to keep their market share from slipping, and others —such as casual/theme and coffee shops—will cast about for a more marketable menu niche. Concepts with a traditional market niche—such as cafeterias—will show small, steady gains, and family type restaurants should benefit from current demographics. Private clubs are anticipating a 4% to 6% growth, despite toned-down expenditures in big oil cities and an anticipated tax-related drop in entertaining. And, throughout full service, the profitability scale will be more heavily weighted in favor of good management.

Fine dining's worries include not only the anticipated decrease from the new 80% business-meal deduction cap, but competition from proliferating moderately priced restaurants that fall into the category of the new American bistro. "Some restaurateurs will be more seriously affected by the tax law —those who have a business clientele may see a decrease in traffic, check average or both," says Bill Fisher, executive vice president of the National Restaurant Association (which predicts more than 2% real growth for full service next year). "Fine dining may see double-digit drop-offs," says Mark Eble, a manager in the Chicago office of Laventhol & Horwath. Eble notes "the influx of moderately priced, professionally managed creative restaurants," and feels the tax rule "is going to impact on fine dining. Only the well-managed will survive."

Leslee Reis, proprietor of 10-year-

GROWTH STEP AHEAD FOR FULL SERVICE	(food and beverage sales in billions) 1984 $51.95	1985 $54.75	1986* $57.44	1987** $60.08
1987 will be a bright, if not dazzling, year for full service, a segment that spans fine dining to cafeterias.				
R&I's welcome 1.2% growth forecast follows a lackluster, if not dark, 1986. Full service, which leads in market share, also stays a step ahead in trends.				
1986-87 real growth: 1.2%				
1987 units: 175,400				
1987 market share: 31.8%				
1987 alcohol beverage sales: $19.04 billion				
*Preliminary **Forecast				



Source: Cahners Bureau of Foodservice Research. ©1987 *Restaurants & Institutions*, a Cahners publication

Leslee Reis, and Philip
Stocks, Cafe P

old Cafe Provençal in Evanston, Ill., concurs. Provençal's gain in 1986 was at the price of "$25,000 renovation, a professional maître d' and chef de cuisine who changes the menu constantly." Chef de Cuisine Philip Stocks feels that "the cost of running a first-class kitchen strictly on the up-and-up is increasing. And the problem of labor, all aspects, is underestimated. Training and keeping good people, not to mention highly skilled staff, is a never-ending expense." Reis adds, "It is increasingly costly both to provide and purchase fine dining. If you don't make people feel it's more than worth the $40 check average, they'll go to two moderately priced, trendy restaurants instead." Reis' second restaurant, a moderately priced, trendy American bistro called Leslee's, enjoyed a 30% increase in 1986 over the previous year.

Exceptionally well-managed operations with traditional menu profiles may well escape the threat of losing customers to trendy new concepts. Ryan's Family Steak Houses Inc. built high net profit margins, unit averages, and customer counts in 1986 without franchising or advertising. And Furr's Cafeterias Inc., looks forward to a 1% growth. Don W. Fritz, chairman and chief executive officer of the 132-unit Lubbock, Texas-based chain (that ranked sixth in full-service satisfaction in *R&I*'s 1986 "Choice in Chains" poll) says the 1% drop in traffic in 1986 was "mostly economic, not a loss in customers. Cafeterias in general have weathered the recent economic problem."

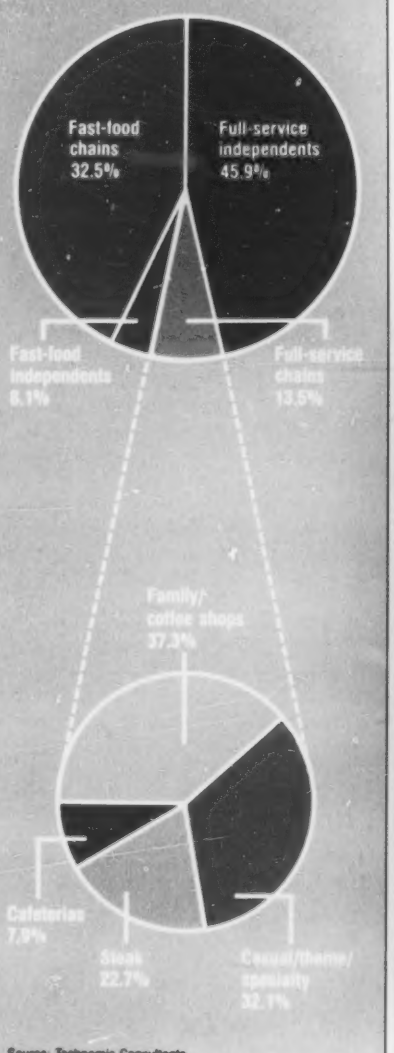
The current demographics on working parents strengthens the market position of family-style restaurants and chains, feels Eble (of Laventhol & Horwath). He predicts a real growth of 3% to 3.5% for family restaurants.

Private clubs, according to Horace Duncan, executive dirctor, Club Managers Association of America, project a 4% to 6% growth in 1987, despite the "economy in big cities with oil—such as Houston and Denver—toning down expenditures in clubs. The tax bill won't affect clubs drastically."

Full service, a trend-setting segment dominated by independent operators, will experience heightened competition in 1987 driven by the new trendy restaurants in the $15 check-average range. Even well-established restaurants will struggle to maintain and increase market share.

1987 ANNUAL REPORT

LION'S SHARE
When it comes to full service, independent restaurateurs control the lion's share as graphically illustrated below. Family restaurants and coffee shops, such as Denny's, Big Boy and Shoney's, dominate the full-service chains. Examples of casual/theme and specialty chains include: Red Lobster, Bennigan's, Chi-Chi's; steakhouse chains: Ponderosa, Sizzler, Western Sizzlin'; chain cafeterias: Morrison's, Furr's, Luby's.



Source: Technomic Consultants

■ FULL SERVICE

Takeout and Home Delivery

The entrepreneurial profile always has been a model for full service: The risks were high (so was the rate of failure), and the freedom to innovate made full service the source of major foodservice trends. But competition, a key element in entrepreneurship, existed primarily between like sub-segments: Cafeterias would compete with other cafeterias for market share; steakhouses with other steakhouses.

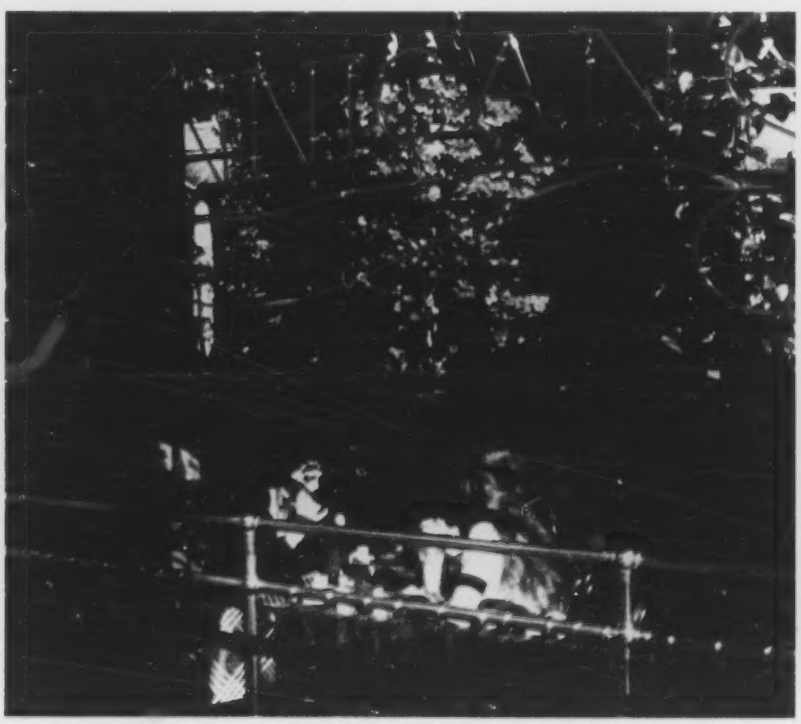
Now the boundary lines of competition are beginning to blur as new, trendy, moderately priced restaurants proliferate, offering a viable option to fine dining: twice the fun at half the price. Not only are customers trading down to trendy, but restaurateurs are scaling down as well. Barry Wine (The Quilted Giraffe, New York) opened The Casual Quilted Giraffe; Peter Salchow (Biggs, Chicago) opened Albert's Cafe and Martha's Vineyard.

The impact of the bistro concept is evident in recent ads billing TGI Friday's as "The American Bistro." Although Bennigan's, a traditional competitor, is not going to reposition, they are addressing a trend perhaps more far-reaching than bistros: takeout—with their newly designed takeout box.

The same equation that leads to the recent increase in takeout, adds up to home delivery, the next step for full service. The second baby boom—more working women, more microwave ovens and more VCRs—adds up to families who want to eat, but not cook, at home. In their quest for menu variety, customers are turning to mid-scale full-service restaurants.

The potential problems of home delivery are many, among them, limiting the delivery area, finding, insuring and keeping reliable home-delivery personnel. One possible solution is the free-lance delivery services for restaurants (akin to home-grocery delivery services) just cropping up. But for 1987, the market for home delivery will grow faster than the confidence in its profitablity.

—Nancy Ross Ryan



Bennigan's, The Pillsbury Co. Restaurant Group

1987 ANNUAL REPORT

■ FAST FOOD

Operators Slow Down to Get Ahead, Sharpen the Niche

Focus on the consumer: Scaling back, retrenching are now trendy ideas.

The slowdown is here. Perhaps to stay.

The fast-food companies, their unit growth having outpaced population growth, are scaling back their expansion plans in favor of sharper customer focuses and marketing niches.

Kentucky Fried Chicken will add 300 units this year, not 350 to 400 as originally planned, and will focus on development of new products, such as salads and non-fried chicken; new services, such as drive-thru and delivery; and a new look, including completion of its image enhancement program and more seating to build lunch traffic.

Wendy's, once committed to build 350 units a year, will add 260 in 1987 and shift to a focus on price-value relationship, family business and smaller portions at smaller prices. The chain is selling or closing 164 units to boost its 1987 margins. And despite denials, rumors persist it will sell its Sister's Chicken & Biscuits concept, which already has pulled out of the Detroit and Memphis markets.

What is a chain to do in these fiercely competitive times?

"There really is no crisis," says Richard Mayer, chairman and chief executive officer of PepsiCo's newest foodservice operation, Kentucky Fried Chicken. "What we are reading about is that the industry has been soft for about a year due to the fact that consumer debt is at an all-time high.

"Foodservice has been growing at about a 6% to 8% rate, which is good," he continues. "You talk to any other industry and they would kill for that kind of growth rate."

R&I agrees with Mayer's forecast, projecting 5.9% nominal growth for the fast-food industry in 1987 on sales of $56.5 billion. That is a real growth rate of 2.5%.

COLAS TAKE THEIR PLACE IN THE RESTAURANT BATTLE FOR MARKET SHARE

According to Bob Barney, chairman of Wendy's, "Our decision to replace Pepsi (with Coke) isn't war . . . it's simply good business."

With those words, published in an open letter on Wendy's stationery as part of a full-page ad in *The Wall Street Journal*, Barney declared that Wendy's is the first chain to let PepsiCo know what it thinks of its purchase of Kentucky Fried Chicken.

What Wendy's thinks is that PepsiCo, which now owns the largest chicken, Mexican (Taco Bell) and pizza (Pizza Hut) chains, is trying to take too many customers away from Wendy's by positioning the trio as favorable alternatives to fast-food hamburgers. Only time will tell if the Wendy's switch is part of an industry-wide backlash.

For PepsiCo, the KFC purchase makes it the largest operator of restaurant outlets in the world, and particularly propels it into major international foodservice markets. Most securities analysts believe the KFC acquisition will pay dividends for PepsiCo in the long run. As one points out, the domestic foodservice business is four times the volume of the domestic soft drink business.

REAL-GROWTH GAINS CARRY A PRICE TAG

Across the fast-food spectrum, operators are gearing up to serve the needs of today's convenience-driven consumer, while trying to maintain market share in a ferociously competitive environment.

1986-87 real growth: 2.5%

1987 units: 141,700

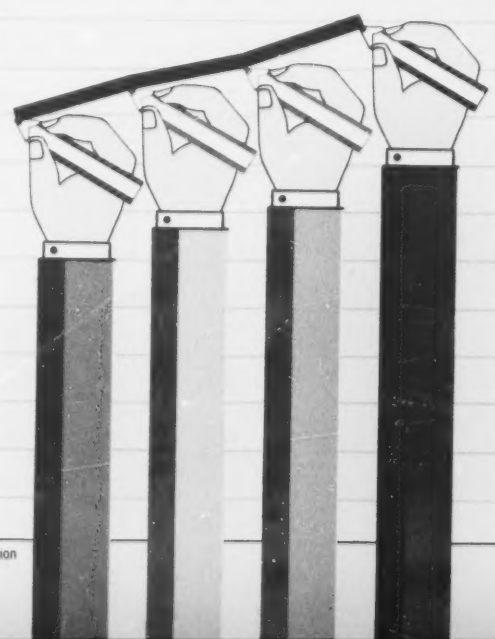
1987 market share: 29.9%

1987 alcohol beverage sales: $637 million

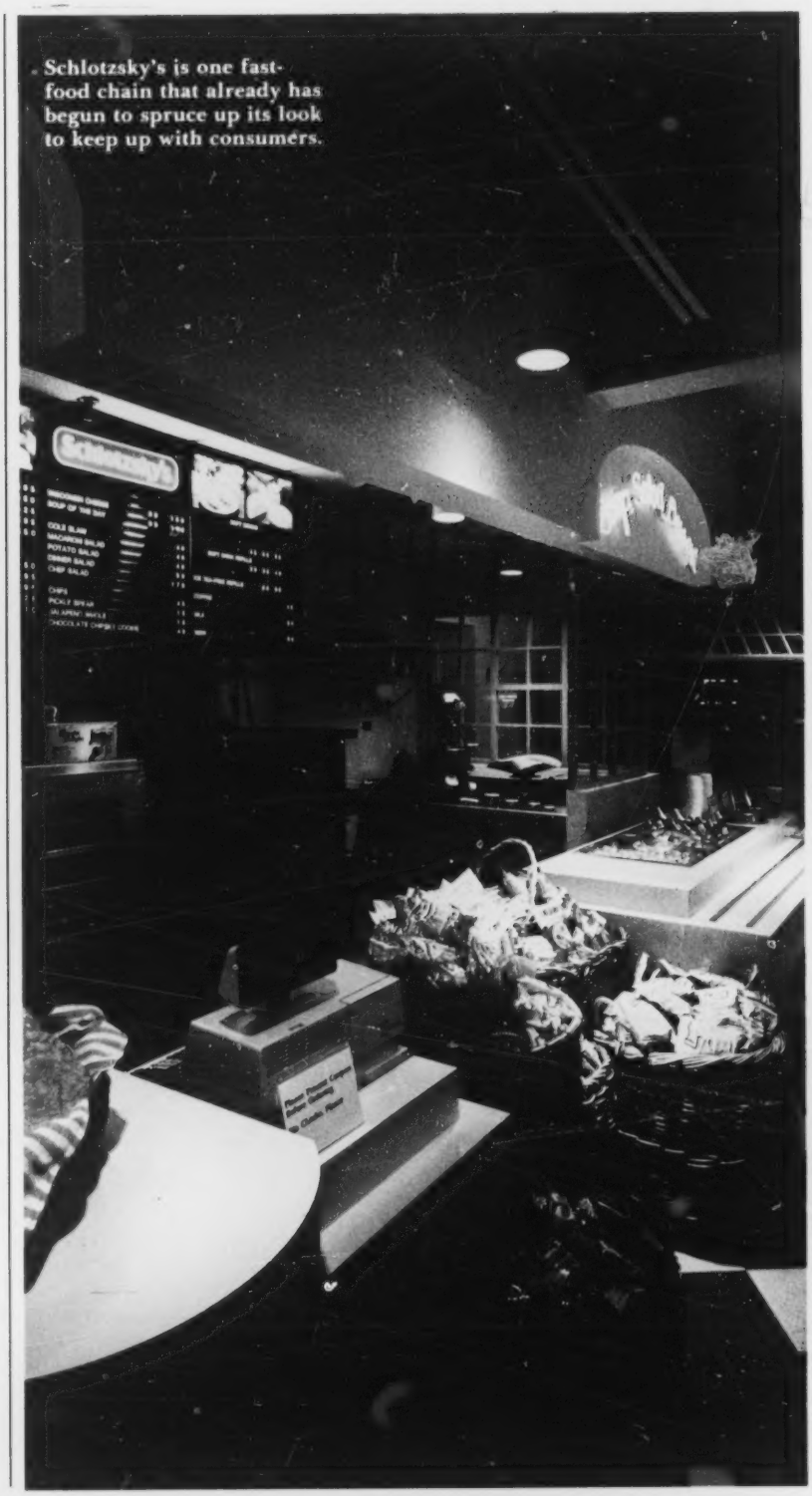
*Preliminary **Forecast

(food and beverage sales in billions)

1984	1985	1986*	1987**
$46.56	$49.92	$53.36	$56.51



Source: Cahners Bureau of Foodservice Research ©1987 *Restaurants & Institutions*, a Cahners publication



Schlotzsky's is one fast-food chain that already has begun to spruce up its look to keep up with consumers.

Wendy's

IF THIS IS WAR, WHY IS EVERYONE COOPERATING?

In the foodservice business, declarations of war are sort of like tax regulations; they have loopholes.

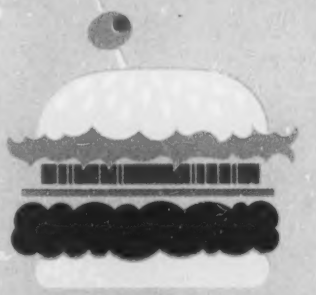
Although everyone in the industry says that anyone else who sells food is a competitor, the spirit of joint venture and cooperation is alive and well.

For instance, in Richmond, Va., Wendy's is operating as a franchisee of Baskin-Robbins, selling the ice cream giant's product in a specially designed area of a Wendy's restaurant. In the Midwest, Hardee's, the fourth-largest hamburger chain, has installed soft-serve ice cream machines to manufacture and sell the Twistee Treat product from the growing chain out of Florida.

Now the convenience stores are getting into the act, their foodservice potential having been recognized by the fast-food operators of America. Circle K has joint ventures going in some way, shape or form with Hooker's Hamburgers, Dunkin' Donuts, Winchell's and Mr. Donut. Southland's 7-Eleven division is operating tests in conjunction with Rocky Rococo Pizza, Church's Fried Chicken and Hardee's.

Even Dairy Queen is venturing into the fray, testing joint occupancies with Grandma Gebhard's Cookies and Mr. Donut as a means to reach new dayparts for the ice cream-based chain.

1987 ANNUAL REPORT



BREAKDOWN OF THE TOP 100 FAST-FOOD CHAINS BY TYPE OF MENU AND OPERATION

Hamburger	**53.6%**
Pizza	**13.6**
Chicken	**11.5**
Ice Cream	**6.8**
Sandwich	**4.8**
Mexican	**4.4**
Seafood	**2.8**
Doughnut	**2.1**
All other	**0.3**

Source: Technomic Consultants, Sellers Guide to Chains.
©1987 *Restaurants & Institutions*, a Cahners publication.

■ **FAST FOOD**

Consumers Want Convenient Foodservice

What the consumer understands these days is convenience—almost anything that saves time carries a premium value. The fast-food industry, paced by the pizza segment, can carry that premium to the maximum.

"Pizza is probably the fastest-growing segment of the industry," says Doug Dawson, vice president of finance for Domino's. "Delivery is the fastest-growing segment of the pizza industry."

Domino's, the second-largest pizza chain and largest delivery operation, sees its customers becoming more and more service-oriented, says Dawson.

"That trend will continue. They can sit at home and within 25 to 30 minutes have a quality pizza delivered to their door. If people are going to go out," he adds, "it's going to be to a higher-class eating experience." As far as Domino's is concerned, if the economy sours and even more women swell the ranks of the 50 million already in the work force, delivery will continue to boom.

"The continued drive toward convenience," will fuel the foodservice industry, says Michael Jordan, president of PepsiCo, which owns Kentucky Fried Chicken, Taco Bell and Pizza Hut. "The home-delivery phenomenon is telling us people want to consume the product in a more convenient fashion."

The whole thrust of his company's foodservice strategy, he says, is to "fit the logistics of consumer needs. That's clearly what is behind delivery."

"We're very pleased with it," says Steven Reinemund, the Pizza Hut president whose company is now in more than 20 markets with delivery and finding great success with it. "The market for delivery is even larger than I expected it to be."

Is it a problem for Domino's?

"It will expand the market and credibility," Dawson says of Pizza Hut's dynamic entry. "Some other chains will get into it. Our major competition is the ma-and-pa store that delivers as a sideline. We're not really afraid of Pizza Hut.

"We've been doing this for 25 years," he stresses. "We've learned from our mistakes. Pizza Hut and everyone else will make mistakes. It's not as easy as it looks." ***—Howard Schlossberg***

Consumers want convenience: Domino's is one chain that delivers it.

1987 ANNUAL REPORT

■ BUSINESS & INDUSTRY

Employee Feeding: a Business within a Business

A decrease in subsidies, mergers and acquisitions change industry.

Ten years ago, when *R&I* introduced its first all-industry annual report, business and industry, then called employee foodservice, was a $3.9 billion business and ranked about fifth in share of market of total foodservice dollars.

Today, business and industry is a $13.1 billion business and ranks third in share of market. And as all things mature, foodservice within the workplace has evolved to meet the demands of today's employees.

Mergers and acquisitions have left the biggest mark on this foodservice segment, says Phillip Cooke, executive director of The Society for Foodservice Management. "Acquisitions are the shortcut to ensure continued growth," he says. "The contractors are all gobbling each other up. We think we will end up with three or four major contractors."

Small regional contractors might see this as a wonderful opportunity for themselves, Cooke says. Smaller contractors will be able to offer more intimate service.

Joe Byrum, senior vice president for Morrison's Management Services, puts his finger on another major trend—the decreasing number of companies subsidizing employee foodservice. Cooke and William Lembach, director of foodservice for Eastman Kodak Co., agree.

Cooke says that all companies will be striving to break even on foodservice operations between 1990 and 1995, which could cause menu prices to climb. But operators should be able to hold the line on prices through increased productivity, he says. "And remember," Cooke says, "the B&I foodservice operators are not dealing with rent costs, heating and cooling costs like outside operators, so they can keep

BUFFET, TABLE SERVICE, SCRAMBLE SERVERIES AND VENDING ALL ARE POPULAR MODES OF FOODSERVICE. EASTMAN KODAK SEES SELF-SERVE AS THE TREND. THE COMPANY SELLS CHICKEN WINGS BY THE OUNCE AND IN ONE WEEK SOLD 2,200 POUNDS. INDIVIDUAL PIZZA SLICES ALSO ARE OFFERED. SWITCHING HOT DOG SALES TO SELF-SERVE BOOSTED SALES CONSIDERABLY.

(food and beverage sales in billions)

BUSINESS AND INDUSTRY MEETS	1984	1985	1986*	1987**
ITS CHALLENGE	$11.44	$12.31		$13.82

Employees are finding their in-house cafeterias a viable alternative to outside foodservices. With healthful items on menus and design innovations, this segment sees few limits to growth.

1986-87 real growth: 1.8%

1987 units: 25,900

1987 market share: 7.3%

1987 alcohol beverage sales: $46 million

*Preliminary **Forecast

Source: Cahners Bureau of Foodservice Research

©1987 *Restaurants & Institutions*, a Cahners publication

1987 ANNUAL REPORT

SERVERY LETS EMPLOYEES ESCAPE OFFICE ATMOSPHERE

The guiding philosophy of the American Bankers Insurance Group is that happy employees are the most important asset a company can have. Guided by this philosophy, the company's headquarters was designed with nearly every known amenity. The complex has a complete health club, fishing dock, sail boats, canoes, paddle boats, chipping and putting green, plus a large picnic area with cabanas and barbecue pit. A company such as this

■ **BUSINESS & INDUSTRY**

On-Site Retail Bakeries Play an Increasing Role in B&I

their costs down. However, there probably will be some increase in food costs to the customers."

Lembach doesn't see drastic price increases either. "I don't see us gaining the money back through price increases, but by trying to get more people in through promotions," he says.

At Ford Motor Co., the goal is just that: to increase participation through promotions. The company does not want its foodservice areas to be an "OK, let's-go-to-lunch kind of place," says Arnold Miller, manager of corporate foodservice. "We want it to be an event.

"We had a string quartet come in at lunch to entertain our employees," says Miller, "and the response from our employees was fantastic."

Gus Gregory, president of Total Food Service Direction Inc., another foodservice management company, says that his approach to foodservice is basically the same as it always has been, "fresh, natural foods, presented in an attractive manner."

Gregory says that "people want honest food. We have people asking how an item is made and what is in it." He also is noticing an increase in dessert sales.

This increase may be due to the fact that a majority of business and industry operations have on-site retail bakeries.

Total Food Service also offers cakes, breads and cookies in its facilities for customers to take home. "We can compete with the local convenience stores by offering our customers milk and bread to take home at night," Gregory adds.

Eastman Kodak really began its take-out retail operation this past Thanksgiving, selling 2,000 mince, pumpkin and apple pies. Plans are to expand the business. Eastman plans to build a food processing center in Rochester, N.Y., to simplify operations, as well as switch to a cook-chill system.

At Morrison, the new idea is to offer clients a total package from food to interior design. Borrowing from its experience in commercial cafeterias, Morrison's will offer three concepts.

Miller concludes, "There is no end to what companies can do with foodservice, and therein lies the challenge."

—Kathleen Marshall

U.S. Industrial Chemicals Co., Cincinnati

1987 ANNUAL REPORT

■ SCHOOLS

More Students Eating More Meals in School Programs

Ethnic foods, fish, fruit popularity increases; fewer fats found on menus.

The good news for school foodservice is that the steady drop in students appears to be over as enrollment and participation figures begin inching up. The ongoing "baby boomlet," while not as dramatic as the late '50s and early '60s, should begin to have an impact on these statistics by 1988.

Some of the most noticeable changes in school lunch programs have been in menus, and many directors have set improvement in food quality as the primary goal this year. Menu choices have begun to reflect Americans' concern with health and nutrition. Many standard recipes have been reformulated to reduce the levels of sugar, salt and fat, and new foods have been added to school foodservice repertoires.

Fish is becoming a more common item on many menus and it is no longer solely in the form of fish sticks. Students these days are asking for, and getting, fillets, nuggets and a number of other fish products. Fresh fruit also is turning up with much greater frequency.

A number of foodservice directors have also commented on the new level of sophistication apparent in student food selection. Ethnic foods continue to be the hottest new items, and not only because of their spices. Directors also are starting to go beyond the usual Mexican or Italian offerings. In San Diego, a *piroshki*, a Polish turnover stuffed with beef and cheese, has been added, while in New York, a breakfast *frittata*, eggs with tomato sauce and cheese served on a kaiser roll or croissant, now is available. Both items have been well-received.

Another issue that continues to trouble directors is participation or more importantly the lack of it, particularly among high school students. While it

STUDENTS CONTINUE TO BELLY UP TO THE BAR

"About 70% of our schools now have salad bars, and that includes elementary schools," notes Bill Mulcrone of the American School Food Service Association. "And they're not only being used for salads. Some days it might be a taco bar or a breakfast bar. This allows the students a choice and teaches them how to balance their diet. You see, we don't just feed children. We teach them how to eat."

In some schools, salad bars are stocked with pre-portioned cups of ingredients and students are expected to select certain combinations of foods in order to meet Type A requirements. If they choose other options they pay the a la carte price.

One of the only new features of the program in the Los Angeles Unified School District this year is the introduction of mobile salad bars in secondary schools. So far the response has been positive and the district has realized a slight increase in participation.

SCHOOL GROWTH STILL SEEN SLOW BUT STEADY

What growth there has been in school foodservice is due primarily to successful efforts to increase participation. While school enrollment has begun to rise, it will be several years before the effect really is noticed.

1986-87 real growth: 1.0%

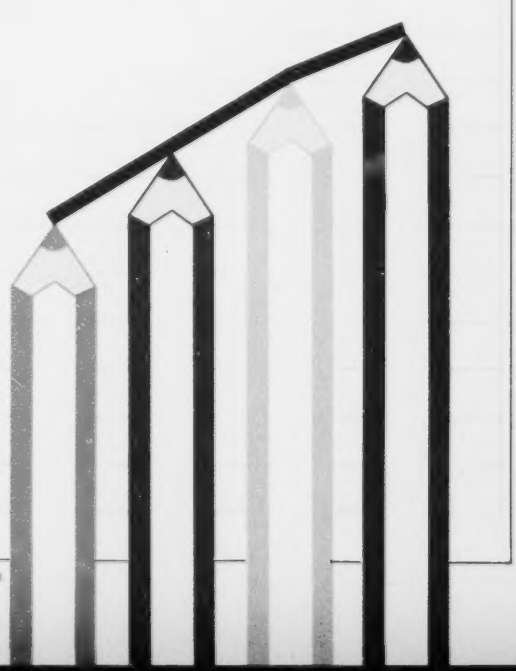
1987 units: 93,200

1987 market share: 6.9%

*Preliminary **Forecast

(food and beverage sales in billions)

1984	1985	1986*	1987**
$11.19	$11.85	$12.56	$13.12



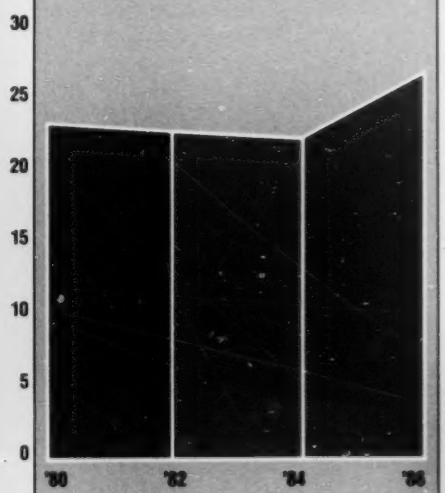
Source: Cahners Bureau of Foodservice Research ©1987 *Restaurants & Institutions*, a Cahners publication

1987 ANNUAL REPORT

LUNCH PARTICIPATION EXPECTED TO RISE

After reaching a low in 1982, school lunch participation has risen slowly through 1986. The upward trend is expected to continue as the "baby boomlet" reaches school age.

(participation in millions)



*Projection
Source: U.S. Department of Agriculture.

■ SCHOOLS

Marketing Becomes Even More Important to Schools

remains a problem throughout the nation, individual programs have moved to handle it in different ways.

School days have been revamped in Detroit to include mandatory six-period days, and, as a result, more high school students are now scheduled for lunch. Director Howard Briggs hopes the change will have a beneficial effect on participation. The number of a la carte offerings also has been increased to include deli sandwiches and other foods popular with teen-agers, which in turn has increased foodservice revenue.

Much like everything in our society, the success of school foodservice programs is becoming increasingly tied to marketing efforts. School foodservice directors can no longer just put out the food and assume students will eat it. As Bill Mulcrone, communications director of the American School Food Service Association says, "Our directors are beginning to think of the students as customers, and so marketing and merchandising have both become very important."

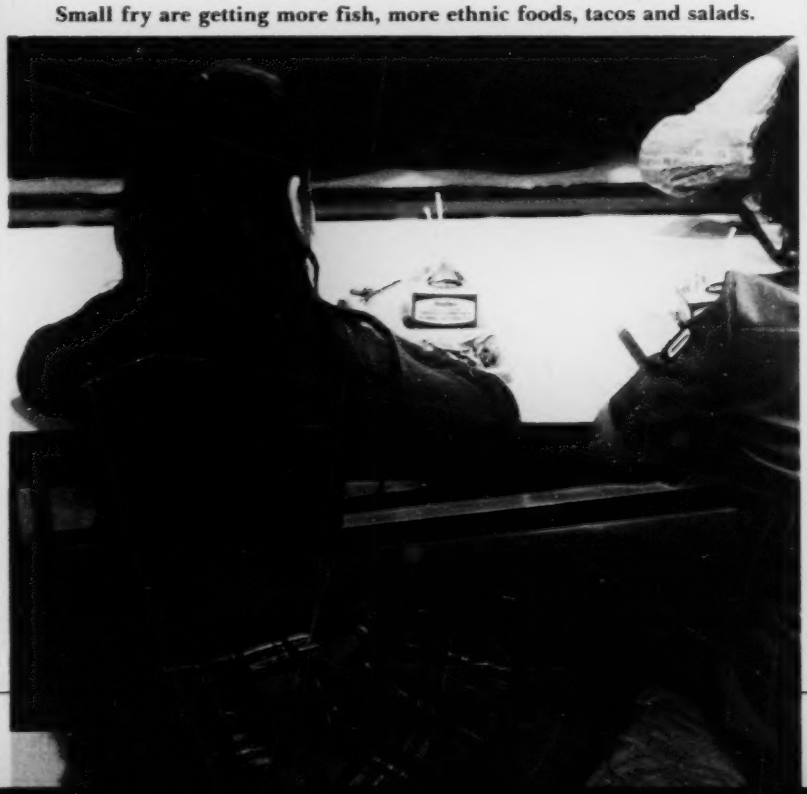
In New York City, participation hit an all-time high in the first month of the school year with a daily average of 700,000 meals served. The Board of Education, under the leadership of school foodservice director Kevin Gill, sees marketing as an important part of its overall school feeding program. A major effort for this year, aimed at promoting school lunch which will include posters for subways and buses.

A major problem throughout the country has been declining secondary school participation. One attempt to combat this in New York comes from a newly developed program called Marketing Inc. It will be piloted in 26 high schools with a total enrollment of approximately 65,000 students. Each school will have a marketing class with about 30 students who will be instructed in basic marketing principles including advertising, use of surveys and other tools.

Students will then use their new skills to develop a marketing effort to sell other students on school meals. The hope is that teen-agers will be better able to reach their peers than adults either within or outside the school.

—Robert Keane

Small fry are getting more fish, more ethnic foods, tacos and salads.



1987 ANNUAL REPORT

■ **HOSPITALS**

Fight to Stay Alive Becomes a Battle to Get Ahead

Marketability will be the industry buzz word in '87.

Just one year ago, health-care facilities were suffering greatly from the effects of diagnostic-related groupings—Medicare's flat-fee reimbursement schedules. However, intensive care by marketing professionals has put many of these institutions on the road to recovery.

Although patient admissions remain down, this year's decrease is much smaller than that recorded in recent years. Patient admissions for the first six months of 1986 numbered 17 million, down only 2% from the same period in 1985. "We're beginning to see a leveling off in the utilization decline," says Andrea Mann, media representative for the American Hospital Association.

Increased amenities and more diverse services have helped attract patients, raise revenues and create a more competitive marketing environment. Foodservice has played a significant role in all these functions; for the first time in several years, positive growth is projected for this segment of the industry.

An increase in catering and cash operations at many facilities has helped put underutilized staff and equipment to work. Bill Edmundson, president of ARA Services' health care and nutrition services, says his organization has seen an increase in sales as a result of the growth in hospitals' outpatient services. "The cash side—the non-patient side—of our business is going up. People who have brought someone in for outpatient work are going to get hungry and, as a result, we've seen a real increase in our cafeteria sales."

However, AHA's Mann adds a word of caution about the future. "I don't have a crystal ball, but my guess is that hospital closings will again be relatively high. Smaller hospitals, especially, will still have it tough in the coming year."

continued on page 90

Hospital employees provide a captive, yet often overlooked, audience for foodservice marketing efforts. Discounts, special meals and take-home foods produce goodwill and needed revenues.

CONTINUING ON THE ROAD TO RECOVERY

Hospital foodservice directors have met with nominal success in their search for non-traditional sources of revenue. Various profit-making ventures have helped ease the pain of static admissions. Growth of these services will continue in 1987.

1986-87 real growth: 0.2%

1987 units: 6,890

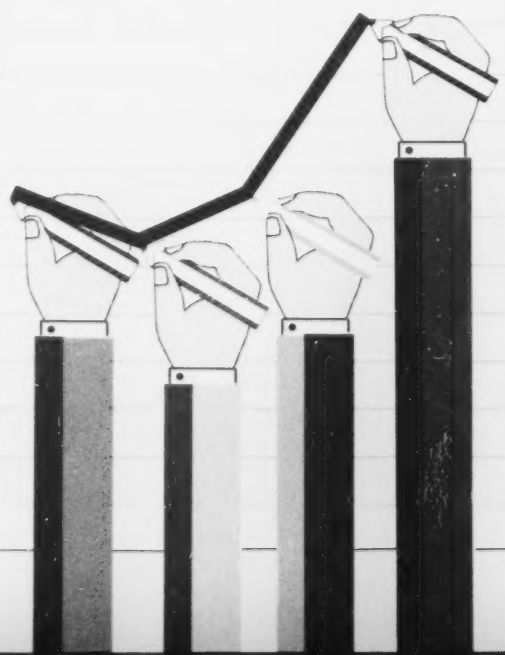
1987 market share: 5.0%

1987 alcohol beverage sales: $23 million

*Preliminary **Forecast

(food and beverage sales in billions)

1984	1985	1986*	1987**
$9.08	$8.99	$9.08	$9.40



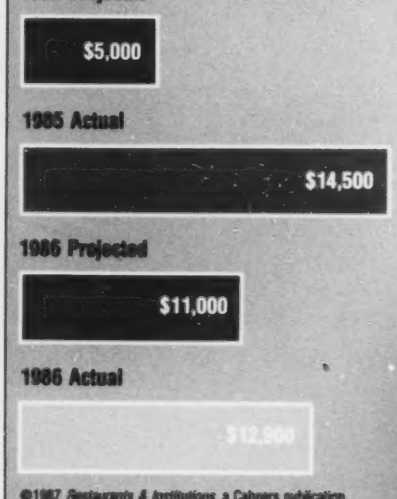
Source: Cahners Bureau of Foodservice Research

©1987 *Restaurants & Institutions*, a Cahners publication

1987 ANNUAL REPORT

ROOM SERVICE DELIVERS FOR BLOOMINGTON HOSPITAL

Although not a tremendous moneymaker, room service at Bloomington Hospital is nonetheless very popular with both patients and staff. Created as part of an ongoing public-relations effort, the program's first-year sales totaled $14,500—nearly three times as much as originally projected. Approximately 50% of the Bloomington, Ind., facility's room-service customers are patients' visitors, 30% are patients and 20% are hospital employees.



©1987 *Restaurants & Institutions*, a Cahners publication.

■ **HOSPITALS**

Out of Adversity Comes Opportunity . . .

No longer merely a source of nourishment for ailing patients, hospital foodservice has become an invaluable marketing tool. Gourmet meals, room service and other hotel-like amenities, coupled with new-parent dinners and special services for senior citizens: All have helped hospitals become more attractive to prospective patients.

According to Dianne Davis, president of International TEAM Associates, a New York consulting firm, many health-care facilities now attract the buying public by integrating hotel services within a medical setting. "Over the past year," says Davis, "drastic changes have significantly affected the ability of hospitals to effectively attract prospective patients. Health care has become a highly competitive, high-tech service industry striving to develop 'new products' to fill empty beds and underused facilities."

Accouterments and services offered today run the investment gamut. Certain amenities such as concierges, VCRs, and white-jacketed waiters for table- or bedside foodservice carry a proportionately large price tag. However, services such as "cafeteria hotlines," tape-recorded messages listing menu highlights, have been implemented for next to nothing.

Marjorie Beasley, foodservice director at Bloomington Hospital, Bloomington, Ind., has led the industry in discovering low-overhead alternate revenue sources. During the past three years, Beasley implemented such diverse operations as room service for visitors and staff, bakery and deli operations, and clinical and moderate weight-loss programs.

Other health-care operators have followed Beasley's lead, creating their own profit-making and goodwill-producing ventures. New-parent congratulatory dinners and first-day home meals, complimentary fruit baskets and gourmet dinners given as gifts have helped hospital foodservice directors utilize idle staff and equipment while helping their institutions acquire a "user-friendly" reputation. Catering operations, both on premises and off, have become a combination public-relations device and top moneymaker in recent years.

The face of hospital foodservice is changing. With patient admissions still down, and no relief in sight, the industry trend toward developing alternate sources of revenue will continue in 1987 and beyond. ***—Pam Erickson***

Marriott Corp.'s new-parent dinners

1987 ANNUAL REPORT

SLICING UP THE HOTEL MARKET

Budget, economy, mid-scale, limited-service, all-suite and luxury—never before have there been so many lodging options. Marriott, Hyatt and Quality International are just three of the many chains that continue to segment; a loyal Holiday Inn customer, for instance, now has five different Holiday Corp. "brands" to choose from. (Above) Breakfast time in the Surf Room at the Embassy Suites/Mandalay Beach Resort.

■ **HOTEL/MOTEL**

Segmentation, Overbuilding Create Industry Slump

The market is overcrowded; occupancy is down. Who is succeeding —and how?

In 1986, operators in the lodging segment had to tighten their belts and open their wallets at the same time.

The threat of terrorism abroad and the low price of gasoline kept Americans home last year and, as a result, they spent their precious vacation dollars in American hotels. That's the good news. But many markets are overbuilt, there are just too many hotels to choose from, and there's not enough business to go around.

To stay afloat in choppy waters, hoteliers took a variety of tacks. Some merely chose to discount room rates, although the results were not always positive. Many invested heavily in promotion, often targeting specific customer groups such as seniors or women business travelers. Others worked to expand traditional food and beverage options in an attempt to keep precious dining dollars in the hotel. Many increased the number and upgraded the quality of their in-room amenities while others did just the opposite. Most made sure to offer facilities for customers with special needs: non-smokers, the handicapped and so forth.

As in years past, operators paid close attention to which "extras" guests actually used and eliminated those that represented unnecessary expense. (Hair dryers, multiple phones, reclining chairs and imported toiletries were all well-received.) Fitness facilities, frequent guest programs and the availability of business services (such as computer rental) also were important points of differentiation.

In hotel restaurants, nutritional concerns are still important and healthy menus abound. Regional cuisines—Southwestern, Tex-Mex, Latin Ameri-

continued on page 100

HOTEL DINING SALES INCREASING GRADUALLY

Dining in hotels is becoming fashionable again. Hotel and motel foodservice revenues reached $7.51 billion in 1986, a figure that represents 0.5% real growth over 1985. For 1987 *R&I* is predicting foodservice sales of $7.83 billion.

1986-87 real growth: 0.8%

1987 units: 28,200

1987 market share: 4.1%

1987 alcohol beverage sales: $3.23 billion

*Preliminary **Forecast

(food and beverage sales in billions)

1984	1985	1986*	1987**
$6.84	$7.19	[illegible]	$7.83

Source: Cahners Bureau of Foodservice Research. ©1987 *Restaurants & Institutions*, a Cahners publication.

1987 ANNUAL REPORT

FIGHTING FOR THE FOOD DOLLAR

The struggle continues to keep dining dollars in the hotel. Some tactics: afternoon tea, room service, salad bars, late-night caviar, champagne and dessert bars, lobby deli and food shops, lobby bakeries, communal tables for single diners, regional food festivals and the hiring of well-known chefs as consultants. (Above) Afternoon tea at the Chicago Hilton & Towers.

■ **HOTEL/MOTEL**

Just Wait: Occupancy Rates Will Rise in '88.

can, Alsatian—are extremely popular. Seafood, pasta and wild game are still hot, while grilled and rotisseried meats continue to grow in popularity. Sales of wine, imported beer and bottled water are soaring. Customers want quality and variety and successful hotels are dishing it up.

Meanwhile, others, particularly those in the limited-service segment, have opted to do away with traditional restaurants entirely. Some serve a complimentary breakfast in a lobby-lounge, where a cocktail hour is held later in the day. Others have implemented in-room microwaves and made packaged food available for sale in the lobby. Many operators have entered arrangements with free-standing chain restaurants: Days Inns with Arby's and Wendy's; La Quinta with McDonald's; Dillon Inns with Country Kitchens. Still others are turning to successful restaurant companies for help—Embassy Suites recently announced plans to have the S&A Restaurant Corp. manage all food and beverage outlets at six properties.

Looking to get maximum return on every square foot, a number of chains have chosen to eliminate entirely those areas in the hotel that do not directly generate income—swimming pools and meeting rooms, for instance. Others are downscaling their grandiose lobbies and towering atriums in order to enlarge guest rooms, which directly increases the guests' perception of value and level of satisfaction. More and more, public spaces are being "double-designed" so that one room can serve a number of functions.

While demand for hotel rooms has been rising about 2% annually during the past five years, the supply of rooms has been mushrooming at a 5% annual rate. Until occupancies increase, however, financing will be harder to obtain and fewer properties will be built. The new tax bill also will diminish the amount of new construction in coming years by eliminating the 10% investment tax credit and by lengthening property depreciation write-offs; the result will be more business to go around. Although the effects may not be felt until 1988, industry experts predict that by 1990, occupancy rates—which now hover around 65%—may reach 70%. ***—Julie Mautner***

The Dining Galleries at The Fontainebleau Hilton, Miami Beach, Fla.

1987 ANNUAL REPORT

■ COLLEGES

College Foodservice Fights Outside Competition

Feeding young and restless is a creative feat for campus foodservice.

Death and taxes are no longer the only certainties. Add to the list, student appetites. "We're feeding an enrollment of 15,000 kids equipped with bottomless pits called stomachs," quipped one foodservice director. But, more than the sheer volume students can consume is the seemingly endless variety of foods and dining options available to them.

College students across the country want a change of pace from routine campus foodservice, or what Ted Smith, Michigan State University's foodservice coordinator, calls "spirit lifters." And they don't just want changes at the evening meal. They want them at breakfast and lunch as well.

Luncheon and dinner menus are blending together. Fresh fish, for example, may sell well at noon while a sandwich bar at dinner does big business. In between, students continue their love affair with nachos, tacos, burritos, and have extended it to include fajitas and anything else Mexican. There is greater emphasis on deli bars and made-to-order sandwiches. Anything on a bun is popular. Fresh foods and foods that are perceived as fresh are the order of the day. The trend to lighter fare is prevalent. Red meat consumption is down. Items such as boneless grilled chicken breasts are replacing some beef items.

But hamburgers continue to hold a popular edge. Pizza, particularly the do-it-yourself personal pan size, is catching on. Michigan State features a pizza bar that offers six-inch cheese and tomato pizzas and an assortment of hot toppings students can choose for their pizzas.

Food bars are filling the demand for more self-service operations and more flexibility. Dessert bars, salad bars, spa-

Student enrollment is holding up surprisingly well despite academia's prophets of doom. Last year's predicted "big" drop hasn't materialized because the U.S. economy has been relatively stable. Also, schools are making an all-out effort to lure students back to the residence halls via strong marketing and merchandising programs. "The students that we already had, we're keeping longer," states one foodservice director.

COLLEGE DINING UP IN QUALITY, DOWN IN SIZE

Facing the possibility of significant enrollment declines again this year, college and university foodservice officials are pulling out the marketing stops. *R&I* predicts they will succeed in keeping the segment's real growth nearly steady at −0.4%.

1986-87 real growth: −0.4%

1987 units: 3,160

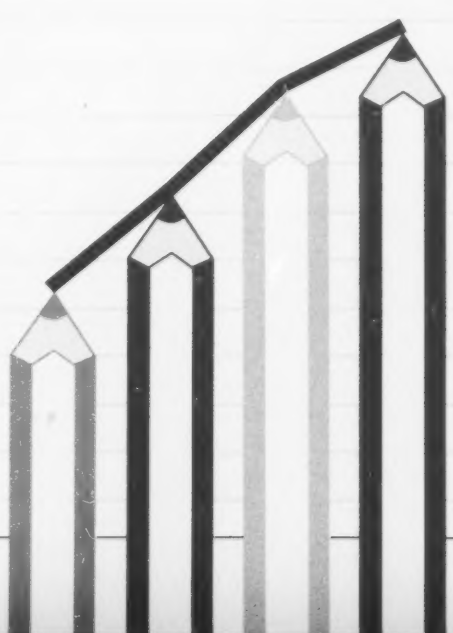
1987 market share: 3.4%

1987 alcohol beverage sales: $36 million

*Preliminary **Forecast

(food and beverage sales in billions)

1984	1985	1986*	1987**
$5.74	$5.94	$6.16	$6.34



Source: Cahners Bureau of Foodservice Research

©1987 *Restaurants & Institutions*, a Cahners publication

1987 ANNUAL REPORT

Colleges are realizing that they will have to do a more thorough and complete marketing job than they have been doing. It has become essential to get a grasp on their customer base and learn to understand it better. "We must know where on campus the customers are coming from," says Rich Wheeler of University of California, Los Angeles.

■ COLLEGES

Fine Dining and the Deli Rate on Campus

ghetti bars, yogurt, ice cream and even custard bars are cropping up on campuses everywhere.

But food is no longer the sole concern on campus. Decor, appearance and ambiance finally are getting their due after years of neglect. The move to "de-institutionalize" college foodservice operations is becoming a second priority, one that will have to be dealt with if college foodservice facilities are to compete with off-campus operations.

Fine-dining establishments to acquaint students with the art and propriety of white-tablecloth dining have been established in several schools. Michigan State recreated the signature items of 15 top local restaurants and served the dishes during the course of the school year. The University of Southern California took a different tack. It dispatched a culinary team to well-known restaurants around the country to work in their kitchens and learn to prepare several menu items which were then reproduced in USC's Commons Dining Room (decorated to resemble the featured restaurant).

Other schools simply remodeled or refurbished existing facilities and converted them into fine-dining operations with host-hostess seating and waiter-waitress service. In many cases, dining privileges in these establishments are included in the board plan on a limited basis. The success of fine-dining programs might result in a brand new trend on campus.

But, for now, the idea is seen in the context of a "spirit lifter." According to Ted Smith, students need exposure to other things besides hamburgers and pizza. Fine dining is a way of merchandising foodservice products and marketing a school's facilities. It's an attempt to lure students back to the residence halls the following year. It's also an education for them. They develop a respect for food preparation and presentation and get an idea of what that same meal might cost on the street.

Computers also are making inroads into college foodservice. They are being used to program everything from menus, forecasts, purchasing, inventory, and dietary and nutritional information. ***—Barbara Magan Dawson***

College enrollment of the deli is up. So are food bars of all types.

1987 ANNUAL REPORT

FROM THE HALLS OF MONTEZUMA TO PIZZA DELIVERY

Military clubs continue to find themselves with declining alcoholic beverage sales. In order to compensate for the drop in revenue, a greater emphasis is being put on the food, and attempts have been made to compete head-to-head with commercial establishments off-base.

At a number of Marine Corps bases, clubs have even gone so far as to become involved in delivery of pizza and other fast foods. The Marine Corps also has been increasing the level of training. An executive chef spends his time traveling around the world to different bases to teach ways to improve the quality of the food served. He covers everything from hot dogs on up.

"In terms of takeout and delivery, whatever is available in the outside community also is being done by a Marine Corps club, somewhere, be it chicken, pizza, hoagies, or whatever," says Joseph A. Caprara, head of the militray clubs branch, morale support division, USMC.

■ **MILITARY**

Never-Ending Battle for Higher Quality Food

Mess halls trim fat; clubs push food to replace lost drink sales.

The top priority for military foodservice operations is a continuation of efforts to improve food quality and nutritional value. All branches of the armed services are taking steps to meet the fitness goals they announced during the past few years.

In the Army, a significant effort has been made to alter the Master Menu, with red meat being reduced from 56% to 46% of the diet, while fish and poultry have been increased from 26% to 35%. Lowfat milk has been authorized as the primary milk used. Low-calorie salad dressings are the only ones now available.

Fresh fruit is available at every meal to also help reduce calories and increase fiber. Morning menus also have been modified so that appetizing alternatives to the traditional fat and sugar-laden breakfast foods are available.

As part of the effort to reduce sodium intake, a daily individual standard of 5,500 mg. a day has been established and incorporated into manuals and recipes. Sodium-free herbal seasonings are now put out on dining hall tables.

Similar moves are being made in the other services as well. Two-percent fat milk has become the standard for the Air Force, according to Germaine Gottschall, chief of Air Force foodservice. Self-service breakfast bars that allow personnel to spend less time on the morning meal are being introduced by the Air Force this year. Response has been very favorable.

While overall use of military clubs in the United States has remained steady, overseas there has been a slight increase. The dollar is not as strong in Europe and Asia as it has been, so military personnel can get more for their money on the base than off.

—R.K.

GROWTH FOR MILITARY SECTOR REMAINS SMALL

What increases there have been in overall foodservice figures have been minimal. The Army noted a 3% increase in the number of meals served in fiscal 1986, due primarily to a drop in the number of personnel receiving the basic allowance for subsistence.

1986-87 rec. growth: 0.2%

1987 units: 2,670

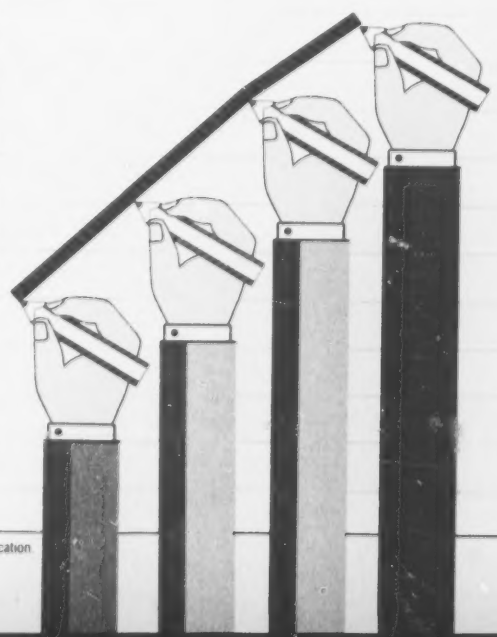
1987 market share: 2.4%

1987 alcohol beverage sales: $371 million

*Preliminary **Forecast

(food and beverage sales in billions)

1984	1985	1986*	1987**
$3.92	$4.13	$4.34	$4.50



Source: Cahners Bureau of Foodservice Research ©1987 *Restaurants & Institutions*, a Cahners publication

1987 ANNUAL REPORT

■ CONVENIENCE STORES

Fast, Faster, Fastest Is the C-Store Motto for '87

Expanding C-stores sell time to busy patrons.

Convenience store magnates could be called the ultimate opportunists. They are not really out to sell a product, they're out to sell time—a perfect commodity for a population with a lot of disposable income and not much time.

This means that anything that saves time is likely to be offered at a C-store. Automated teller machines, groceries, gas, videotapes and fast food bring in the customer of the '80s, and the sales figures prove it. With 66,000 stores nationwide, total volume has grown to $61.6 billion, a jump from less than $6 billion in 1975.

A large part of convenience store growth has been foodservice. Says editor Anita Hussey of *Convenience Store Merchandiser*, "Foodservice has had a bigger impact on convenience stores than any category since gasoline." The introduction and expansion of fast-food items continues to be one of the most successful ways to lure new customers, and luring new customers is one of the major goals of C-stores. According to *Convenience Store News*, fast food jumped to 5.8% of total sales last year in traditional C-stores, up from 3.6% the previous year.

A good indication of C-store fast-food growth is the increase in purchase of foodservice equipment. According to the *Convenience Store News*' 1986 annual Industry Report, a higher percentage of stores had chicken-frying equipment (9% in 1985 vs. 3% in 1984), hot chocolate and cocoa dispensers (65% vs. 28%), popcorn poppers (22% vs. 11%) and bakery equipment (15% vs. 9%).

The number and variety of fast-food items offered also continues to increase. Convenience stores have an advantage over traditional fast-food operations—they can cater to local tastes. Since C-stores are basically today's "mom-and-pop" stores, they operate

	(food and beverage sales in billions)			
C-STORES ON THE FAST-FOOD TRAIL	**1984**	**1985**	**1986***	**1987****
	$3.07	$3.83		$4.12
Convenience stores continue to be the fastest-growing segment in the foodservice industry, appealing to the population of the '80s, which has more disposable income and less time.				
1986-87 real growth: 7.6%				
1987 units: 49,100				
1987 market share: 2.2%				
*Preliminary **Forecast				

7-ELEVEN

Hardee's

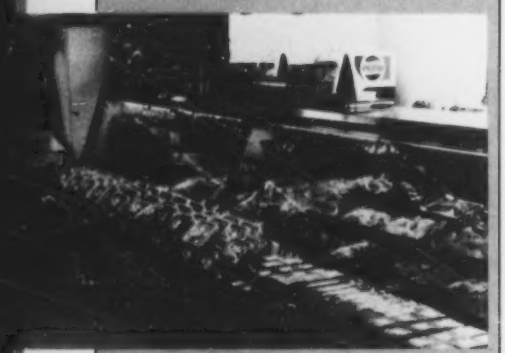
TOP 10 CONVENIENCE STORE CHAINS (BY NUMBER OF STORES)

1. **The Southland Corp.**
2. **Circle K Corp.**
3. **Convenient Food Mart**
4. **Cumberland Farms**
5. **Silcorp**
6. **Dairy Mart**
7. **National Convenience Stores**
8. **Munford**
9. **Kampgrounds of America**
10. **Sun Co. Inc.**

Source: Cahners Bureau of Foodservice Research

©1987 *Restaurants & Institutions*, a Cahners publication

1987 ANNUAL REPORT



IGA STORES
At Ancona's IGA in Ridgefield, Conn., the deli department accounts for 10% of sales. It combines a New York-style deli, fast food, gourmet cheese and fresh pizza, all marketed from a tiny corner. Hot steam-table foods offer a range of foods: meatballs and fried chicken; fettuccine *al fredo* and vegetable lasagna, prepared daily.

■ **CONVENIENCE STORES**

Convenience Industry in Love with Potential

on an independent unit-by-unit basis. Albert Wrisley, professor of hotel, restaurant and travel administration at the University of Massachusetts in Amherst, Mass., and convenience store specialist, has been encouraging convenience stores to market by unit. He says that fast food is a good way to accomplish unit marketing.

On the cutting edge of fast-food offerings are top C-store chains Southland Corp. and Circle K. Southland's 7-Eleven has begun to put Hardee's hamburger units in the St. Louis and Kansas City, Mo., areas and plans to incorporate Church's Fried Chicken into southern and southeastern units and Rocky Rococo's Pizza in Detroit and Los Angeles units. Circle K offers 22 items in all including a variety of sandwiches, Mexican food and breakfast items.

With such a bright outlook, convenience stores still have to contend with several threats, particularly competition from gas station kiosks. C-stores, however, are adding gas pumps, and oil companies are more concerned with selling gas than with selling fast food and other products. The biggest threat is C-store's own image. Despite efforts to upgrade, the customers C-stores want most to attract—upscale young professionals, in particular, working women—have yet to find C-stores appealing.

Round-the-clock hours with cash always on hand tends to attract crime, making C-store patronage mostly male. Many companies have tried to combat that image by designing brighter, more open stores.

Grocery stores go after fast-food dollars

Those who thought grocery store salad bars and full-service delis were just a passing fancy are being proven wrong. According to *Progressive Grocer*'s 53rd Annual Report, 58% of supermarkets have a service delicatessen. (Five years ago, only 49% had a deli.) Today, it is unlikely that a new supermarket will be built without a service deli. Hot takeout food is growing every year as well; 42% of supermarkets offer hot takeout as they attempt to compete with fast-food chains. Some grocery stores have taken the extra step and added sit-down restaurants. Hot foods-to-go was one of the most explosive growth areas last year, as supermarkets expanded and upgraded offerings.

—Nancy Backas

Circle K Corp., Phoenix

1987 ANNUAL REPORT

The jury is still out on the treatment of Alzheimer's disease patients. Although the number of facilities with special Alzheimer's wings is rising, many operators still feel that segregation does more harm than good.

■ NURSING HOMES

Long-Term Care Market Grows as Time Goes By

An aging population presents operators with challenges aplenty.

By the year 2000, 35 million Americans will be over age 65, and the number of individuals age 85 and over will double. According to a recent Health Care Financing Administration report, nursing-home care expenditures are expected to exceed $56 billion in the next five years, up from 1984 levels of $32 billion. Foodservice, too, will grow to meet the needs of the burgeoning nursing-home industry.

However, the obstacles to mining this tremendous source of "gray gold" are many. Resource-utilization groupings, a government pay-back system categorizing patients by the care they require, threaten to reduce reimbursements while costs continue to increase.

Foodservice directors can expect to feel the effects of RUGs shortly. "The cost crunch that came to acute care a few years ago is now staring nursing homes in the face," says Walt Geggif, ARA Services Inc.'s regional vice president of health care and nutrition services for continuing care. "RUGs will mean even more cost containment in the future."

Meanwhile, costs for resident care are rising. A General Accounting Office survey recently revealed that today's nursing-home patients are "increasingly dependent or disabled." As the population ages, expenses for special diets and assistance with meals also will grow.

To ensure residents get the care they need, the federal government instituted new inspection policies in July 1986. Julie Trocchio, director of delivery of services at the American Health Care Association, says the program emphasizes on-site observations rather than paperwork evaluations and pays special attention to nutrition and dietary services. ***—Pam Erickson***

A SHORT-TERM LOOK AT LONG-TERM CARE

Although demand for nursing-home beds is rising rapidly, growth has been slowed by inadequate reimbursement levels and state regulations limiting new nursing-home construction. Occupancy rates currently stand at 98%.

1986-87 real growth: 2.1%

1987 units: 19,100

1987 market share: 2.1%

1987 alcohol beverage sales: $22 million

*Preliminary **Forecast

(food and beverage sales in billions)

1984	1985	1986*	1987**
$3.33	$3.52	$3.72	$3.92

Source: Cahners Bureau of Foodservice Research ©1987 *Restaurants & Institutions*, a Ca[illegible] publication

1987 ANNUAL REPORT

■ **TRANSPORTATION**

Will Airline Foodservice Survive Tough Times?

Mergers and takeovers are in full swing. Controlling costs now No. 1 priority.

Airlines have just weathered the toughest year ever. Forecasting future budgets, trends, sales and growth, is next to impossible.

Back in 1978-79, the dawning of deregulation, long-range prognosticators predicted that dozens of new carriers would enter the market. Most would not make it. The industry would see a shakeout. An "oligopoly" would be formed with six or seven giant carriers in control.

Eliminating the competition, however, is not always the answer. As mergers accelerate and the number of players shrink, the survivors grow less sure of what direction to take. Will the merged airlines operate as separate entities or as one system under one banner? What routes will be retained, dropped, expanded? Until these questions can be resolved, future foodservice plans are on hold.

Controlling costs is more the name of the game than ever before. Airlines are taking a hard line on budgets and spending. Discounts, a way of life in the industry, won't go away because one carrier has merged with another. But cutting back on food and beverage service incurs a long-term risk. Passengers expect to be fed. Meals have "entertainment" value and are an important marketing tool for the airline.

The Air Transport Association reports that spending on food and beverage as a percentage of operating costs has declined since deregulation. It was a flat 3.2% in 1985. But foodservice will not disappear. Food consistency has improved. Variety has increased. It is trendy. Midday meals are lighter. Non-meal hour snacks are in. But, in a two- or three-entree selection situation, 40% of the passengers may still order beef. Some things don't change. —***B.M.D.***

Airline foodservice is cyclical. When budgets get trimmed, services are reduced. When food becomes a competitive issue, or complaints about it increase, service is stepped up. Most major carriers are looking to add more seats. That could mean less galley space, more streamlined equipment and storage space, smaller trays, plates, etc.

AIRLINE FOODSERVICE UP DESPITE TURBULENCE

Although the air-travel climate remains unsteady, and although airline foodservice continues to be the stepchild of a sometimes-less-than-willing parent, the transportation segment is expected to show 1.6% real growth this year, keeping up with the industry average.

1986-87 real growth: 1.6%

1987 units: 395

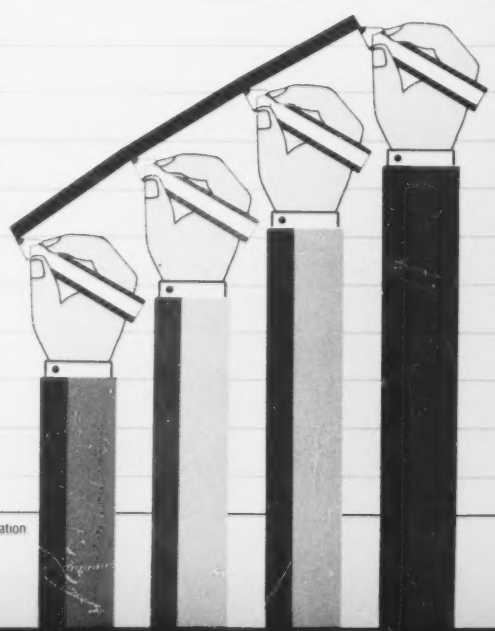
1987 market share: 1.4%

1987 alcohol beverage sales: $469 million

*Preliminary **Forecast

(food and beverage sales in billions)

1984	1985	1986*	1987**
$2.22	$2.39	$2.54	$2.67



Source: Cahners Bureau of Foodservice Research

©1987 *Restaurants & Institutions*, a Cahners publication

1987 ANNUAL REPORT

Stores that pre-plan for the future are the ones that will survive. Retail giants such as The Broadway and Dayton Hudson have been converting their operations from sit-down-only foodservice to a variety of trendy formats that include carryout marketplace food, gourmet delis, yogurt stands, fast-food concepts and very small sit-down theme concepts. Walgreens, K mart, Sears and J.C. Penney's are, for the most part, out of in-store foodservice.

■ **RETAIL**

Retail Segment Comes Full Circle with Service

Operators face stiff challenges as sit-down gives way to takeout.

Foodservice sales are intrinsically tied to the overall performance of a department store. But, the proliferation of discount chains such as Mervyns and Target Stores is precipitating a shakeout in the retail industry. The strong will become stronger. The weak will be swallowed up.

Furthermore, increasing numbers of working women plus the seven-day week operating schedule (which has spread out customer traffic) has severely curtailed lunch-time trade, the guts of the retail store's foodservice business. The days of the large sit-down dining room are over. Now, 60 to 90 seats are ample.

Customers want faster service, greater self-selection, more ethnic foods, lighter foods and healthful foods. The hue and cry is more food to go. Not just deli food. But gourmet takeout: caviar, pâtés, black fettuccine, gourmet pizza, stir-fry vegetables, and high butterfat ice cream.

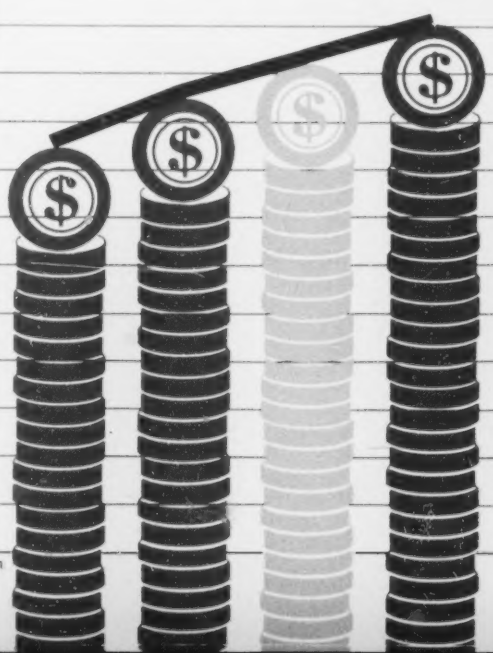
Appetizers continue to appeal. Carter Hawley Hale has put in a second tapas bar in its Broadway chain and is stressing appetizer meals on all menus. Little food boutiques are popping up in high-traffic areas to attract clientele.

Dayton Hudson of Minneapolis, which discovered a bonanza with its yogurt bars (one 450-square foot unit does $450,000 annually), just introduced its "Chicken Strategy"—an all-chicken fast-food line of soups, salads, appetizers and entrees. Also, the chains's 400-seat Sky Room operation in Minneapolis will be converted into 14 quick-service units this spring.

Opportunities in retail foodservice are better than they've ever been for a few operators who can handle change.

The retail foodservice segment seems to be coming around full circle.

	(food and beverage sales in billions)			
RETAIL: A BRAVE NEW FOODSERVICE WORLD	**1984**	**1985**	**1986***	**1987****
	$2.24	$2.35	$2.42	$2.51
When they're good, foodservice sales in retail environments are very, very good, and when they're bad, they're horrid. Despite continuing defections and cutbacks by major retailers, the segment is expected to achieve real growth of 0.4% this year.				
1986-87 real growth: 0.4%				
1987 units: 9,600				
1987 market share: 1.3%				
1987 alcohol beverage sales: $3 million				
*Preliminary **Forecast				



Source: Cahners Bureau of Foodservice Research ©1987 *Restaurants & Institutions*, a Cahners publication

1987 ANNUAL REPORT

Some retail stores such as May Co. are gradually easing out of the restaurant business. Others, including California-based J.W. Robinson's chain, which draws a higher-end customer than, for example, the Broadway stores, are going to self-service. Customers want to see the food. They want it fresh. And they want to be able to order it at the counter and take it and sit down. Stores are placing less emphasis on the sit-down customer who wants waitress service.

■ **RETAIL**

Merchandisers Take Stock of Foodservice.

In many stores across the country, foodservice appears to be on life-support systems. Some, including May Co. and Federated Stores, actually are de-emphasizing it. Others are switching from in-house to outside contractors. Twenty years ago, stores were replacing contract feeders with their own inside people.

It's ironic at this time that some stores are having difficulty with foodservice operations because food in this country is more important than it's ever been. The same customers the stores are targeting to come in and purchase merchandise are far more interested in food than they were 10 years ago. It is no longer logical for upscale department stores not to have food to meet those customers' demands. And, today, stores can't meet those demands if their only facility is a sit-down restaurant.

Merchandising and marketing experts maintain that retail foodservice has to approach business the same way the stores themselves do: by being very flexible and aware of the need for change, catering to customers' whims, not doing things because that's the way they have always been done. Neiman-Marcus for example, staged successful ethnic food fests; F.W. Woolworth went back in history to create a menu with a nostalgic theme.

Retail foodservice directors must make long-range growth plans and, according to one foodservice veteran, it's critical to make them consistent and compatible with the company's plans. "We go after the same customer as the store does," says John Lovelace, central director of foodservice for Dayton Hudson. "We have a standard that our department will be just as exciting, trendy and profitable as any other department. When we meet that standard, then we get capital dollars. And we are able to achieve a profit goal. I think that's where many stores' foodservice operators make a mistake. They don't approach their business that way. They're not aggressive because they are preoccupied with space. For them, it's a battle of square footage."

—Barbara Magan Dawson

Fashionable merchandise in retail stores today are the foods to go.

1987 ANNUAL REPORT

Garden State Park, N.J., race track houses more than 14 foodservice stands, among them the *charcuterie* (above). Auxiliary items enhance sales, but the staple concession items, such as hot dogs, continue to be the most popular.

■ **RECREATION**

Recreation Industry Is Not All Child's Play

Parks, sports facilities vie for $2.3 billion in food and beverage sales.

More than 1.7 billion persons passed through gates and turnstiles at arenas, fairs and parks in 1985, according to *Amusement Business*' Focus on Food and Drink Survey.

The study also reveals that on the average, hot foods account for more than half (62%) of all food sales, with snacks accounting for about one-fifth of sales.

At Walt Disney World, 23 million visitors went through the gates in 1986. Initial figures for fiscal 1987 already are exceeding expectations, says Jim Armstrong, vice president of food administration. Plans for fiscal 1988 include the building of a 900-room Grand Floridian Hotel.

One segment of the industry that is a length behind in garnering food and beverage sales is the racing industry. According to Bob Smith, vice president of marketing for contractor Harry M. Stevens Inc., this is a result of gambling dollars being pulled in more directions, such as off-track betting and lotteries.

Convention centers, though a small part of the segment, continue to move upscale. Mat Brodsky, national sales manager of the recreational services division for Service America, calls the new Jacob K. Javits Convention Center in New York the premier convention center. "The standard chicken dinner served 10 years ago is really being phased out. Customers are getting more flair for their money. We try and make our foodservice operations an event instead of just another meal."

Overall, the recreation segment is a healthy one. The young and affluent have more money to spend on leisure time. If gasoline prices remain low and domestic travel continues to increase, the industry will grow at anything but a leisurely pace. *—K.M.*

RECREATION SEGMENT ENJOYS SLIGHT GROWTH

An increase in domestic travel and lower gasoline prices will help recreational facilities enjoy slight growth this year. *R&I* estimates an increase in food and beverage sales to $2.4 billion from $2.3 billion in 1986.

1986-87 real growth: 1.2%

1987 units: 19,750

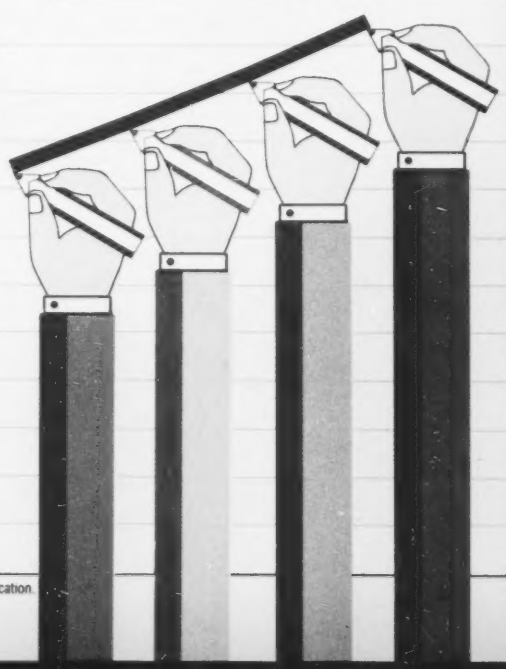
1987 market share: 1.3%

1987 alcohol beverage sales: $354 million

*Preliminary **Forecast

(food and beverage sales in billions)

1984	1985	1986*	1987**
$2.11	$2.22	$2.30	$2.41



Source: Cahners Bureau of Foodservice Research. ©1987 *Restaurants & Institutions*, a Cahners publication.

MENUS

■ **R&I DATA**

FOOD COST INDEX: LIGHT TREND CREATES 'LIGHT' PRICES

Three staple commodities, eggs, butter and sugar, remain constant in price. The cost of chicken also stayed in line with an average cost of 96 cents a pound cut for frying. The trend toward fresh might be responsible for the decrease in canned produce prices. Heavy stocks of canned peas are responsible for cost decrease.

		% Change	
	12/86	11/86	12/85
Hamburger (lb. 85% lean)	1.26	1	-1
Chicken (lb. cut for frying)	.96	0	2
N.Y. strip steak (lb./avg.)	3.62	5	3
Bread (Pullman loaf)	.77	-1	-3
Lettuce (iceberg/head)	.58	7	16
French fries (30 lb.)	11.52	-4	-7
Tomatoes (lb.)	.56	8	2
Milk (gal.)	1.75	-7	-4
Eggs (doz.)	.74	0	-1
Peaches (case/#10)	17.41	-6	-13
Peas (case/#10)	10.72	-13	-29
Frozen beans (30 lb.)	15.46	8	7
Ice cream (vanilla/gal.)	3.26	-3	20
Butter (lb.)	1.69	0	
Cheddar cheese (lb.)	1.76	-1	
Sugar (100 lb.)	30.47	0	1
Coffee (lb.)	3.30	10	29
Breaded fish portions (lb.)	1.48	-10	-4

©1987 *Restaurants & Institutions*, a Cahners publication.

■ **OPERATOR OFFERINGS**

Barry Wine Butters Up Customers with Good Food

Whether casual or formal, The Quilted Giraffe serves interesting menu fare.

Barry Wine is a man with a purpose. As owner and executive chef of The Quilted Giraffe and The Casual Quilted Giraffe, both in New York City, Wine dedicates himself to creating fine cuisine.

"The food we serve is American with Japanese and French influences. I have a staff of 12 that is ready to spring into action when an order comes into the kitchen," Wine says.

Wine's menus at both restaurants are unique. At The Quilted Giraffe, customers can sample Beluga Caviar Beggars' Purses consisting of Beluga caviar wrapped in crêpes that are folded to look like a purse. At the Casual Quilted Giraffe, mashed potatoes with duck meatballs is an entree that customers have given rave reviews.

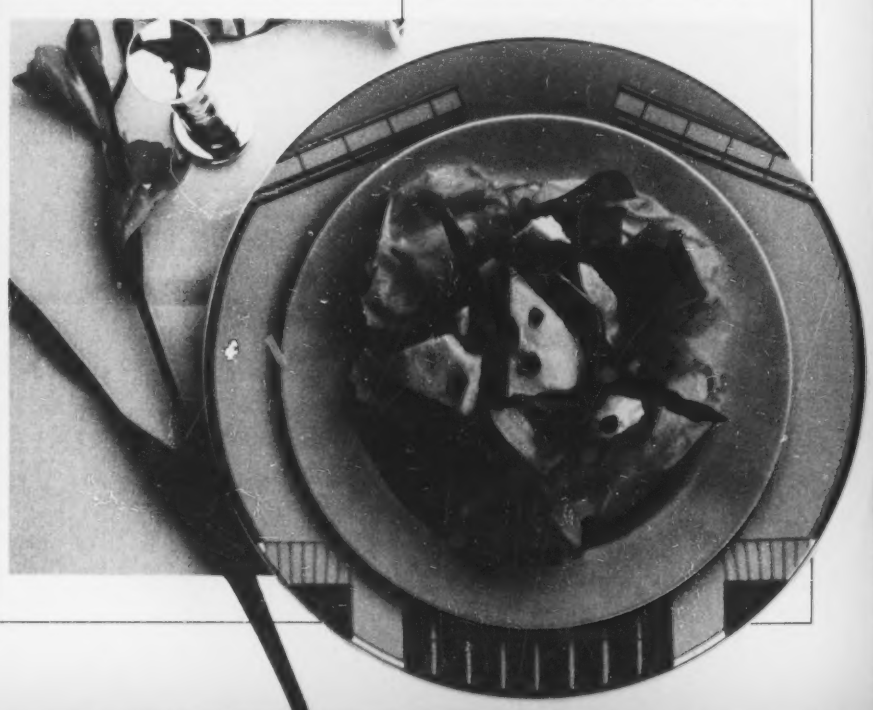
—Kathleen Marshall

PHYLLO CRUMPLE WITH CHICKEN AND TRUFFLES

Yield: 4 servings

Phyllo dough	8 sheets
Butter, melted	2 oz.
Chicken cutlets, 1-oz. pieces	4
Butter	2 oz.
Asparagus, cooked	12 spears
Green pepper, diced	1
White wine sauce	as needed
Black truffle, thinly sliced	1

Method: Lay out phyllo sheets 2 at a time. Brush lightly with butter. Fold 1 sheet towards its center to form a ring. Place the ring on top and in the center of the second buttered sheet. Pull the edges up and towards the center to give free-form shape. When 4 crumples are made, bake on a cookie sheet lined with baking paper for about 7 minutes in 400F oven. Season the chicken with salt and pepper to taste. Heat butter in 12-oz. skillet. When hot, add the chicken in one layer. Cook over medium heat, turning pieces occasionally, for 2 minutes. Add cooked asparagus and diced pepper; cook 30 seconds. Spoon chicken and vegetables into the 4 crumples; top with white wine sauce with butter. Garnish with sliced truffles.



Crumples can be made in advance then filled with various ingredients.

ACTION EXPRESS

MAGAZINE DIVISION STAFF

William Platt, President; Terrence McDermott, Executive Vice President; David S. Wexler, Vice President Foodservice Group; Thomas J. Dellamaria, Vice President Production and Manufacturing.

BUSINESS STAFF

Barry H. Reese, Publisher; Jane Young Wallace, Associate Publisher; Steven Mayer, Marketing Director; Peggy Venecek, Marketing Assistant Director; M.R. Robinson, Vice President Foodservice Research; Karen Hallberg, Foodservice Research Associate Director; Ed Christ, Circulation Director; Denise Stolton, Circulation Manager.

BUSINESS OFFICES

Midwest: Rose Deneen, National Sales Coordinator; Marjorie S. Maca, District Manager; Howard Sipe, District Manager; Mark A. Strauss, District Manager; Frank J. Summers, District Manager; Susan Kallas, Sales Services Manager; Patricia E. Olson, Recruitment/Classified Advertising Manager, Cahners Plaza, 1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL, 60017-5060. Phone: 312/635-8800. **East Coast:** Robert Fisk, District Manager; William Lazar, District Manager, 8 Stamford Forum, P.O. Box 10277, Stamford, CT, 06904-2277. Phone: 203/328-2500. Michael Cardello, District Manager, 475 Park Ave. S., New York, NY, 10016-6999. Phone: 212/686-0555. **Central Area:** Jerry Stiegler, District Manager, 1621 Euclid Ave., Cleveland, OH, 44115-2186. Phone: 216/696-1800. **Southeast:** Thomas McElhinny, District Manager, Suite 170, 6540 Powers Ferry Rd., Atlanta, GA, 30339-2911. Phone: 404/955-6500. **West Coast:** Stephen Kosloff, District Manager, Suite H, 3637 Sacramento St., San Francisco, CA, 94118-1726. Phone: 415/922-6884. Rebecca Tonne, District Manager; Susan Brummett Green, Sales Representative, Suite 236, 12233 W. Olympic Blvd., Los Angeles, CA, 90064-1068. Phone: 213/826-5818. **Southwest:** Thomas McElhinny, District Manager, 12127 Carriage Hill Dr., Houston, TX, 77077-2508. Phone: 713/497-1095. Michael Cardello, District Manager, Suite 515, 13740 Midway Road, Dallas, TX, 75244-4314. Phone: 214/980-0318. **United Kingdom and Europe:** S.D. Ichbia, Director, Kingslea Press, Ltd., Griffin House, 18-19 Ludgate Hill, Birmingham B3 1DW, England. Phone: 021-236-8112.

ADVERTISING INDEX

For more information on the products advertised and featured in this issue, circle the number indicated on the Reader Service Card.

Advertiser	Inquiry No.
ALCO Foodservice Equipment Co., Savory Equipment (p.117)	41
Adamation, Inc. (p.214-A)	107
Adams Packing Association (p.222)	80
A.F. Industries (p.226)	88
Alto-Shamm, Inc. (p.75-84)	22,23,24,25,26,27,28
Amana Refrigeration, Inc. (p.199)	67
American Dairy Association (p.131-146)	48
American Permanent Ware, Inc. (p.3)	5
Anderson Clayton Food Service (p.121)	43
Armour Foodservice (p.104)	35
Basic American Foods (p.88-89)	30
Beef Industry Council (p.124-125)	44
Best Foods, CPC Foodservice, Inc. (p.127)	46
B.K. Industries (p.228)	96
Bridgford Foods (p.91)	31
Buffalo China, Inc. (p.194)	66
C. Schmidt Company (p.219,221,223)	75,79,82
CPC Foodservice, Best Foods (p.127)	46
CPC Foodservice, Hellman's (p.127)	45
CPC Foodservice, Thomas' English Muffin (p.65)	18
Calavo Growers of California (p.42-43)	11
California Avocado Commission (p.170-171)	56
Cambro (p.58-59,60-61)	16,17
Campbell Soup Co. (p.49,189)	13,63
Carnation Co., Foodservice (p.98-99)	33
Castleberry Foods (p.215)	73
CHIX Foodservice Towel (p.97)	32
Clorox Foodservice Div., Domani Italian Foods (p.94-95)	
Commercial Aluminum Cookware Co. (p.169)	55
Con Agra Poultry Company (p.213)	72
Continental Coffee Products (p.IBC)	105
Crescent Metal Products, Inc. (p.16)	6,7,8
Culligan U.S.A. (p.191)	64
Diamond Straw (p.229)	98
Dickinson Foodservice (p.223)	83
Domani Italian Foods (p.94-95)	
Durkee Foodservice Group (p.129)	47
Dutch Quality House (p.211)	71
FDL Foods, Inc. (p.112-113)	39
Federated Foods (p.147)	49
Florida Department of Citrus (p.111)	38
General Wire Spring Co. (p.230)	104
Hatco Corp. (p.203)	68
Hellman's, CPC Foodservice, Inc. (p.127)	45
Hills Bros. (p.118-119)	42
Holman Group (p.226)	89
Hunt-Wesson Foodservice Div. (p.7,8-9,10)	
Iceland Seafood Corp. (p.44-45)	12
International Cold Storage Co., Inc. (p.221)	78
Jiffy Mixer (p.226)	85
John Morrell (p.13)	3
Katchall Industries, Inc. (p.228)	93
Keebler (p.101-102,103)	34
Kellogg Company (p.107)	
Kitchens of Sara Lee Foodservice Div. (p.158-159,160-161)	52,53
Land O Lakes, Inc. (p.IFC)	1
Lawry's Foods, Inc., Food Service Div. (p.108-109)	37
Litton (p.205)	69
Lykes Pasco Packing Co. (p.73,165)	21,54
MH Equipment (p.227)	90
Marko (p.229)	99
Master Disposers, Inc. (p.228)	92
Miller Brewing Co. (p.173)	57

continued on page 236

RESTAURANTS & INSTITUTIONS, a Cahners publication
1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 60017-5080 Phone: 312/635-8800

Cahners Publishing Company, A Division of Reed Publishing USA ☐ Specialized Business Magazines for Building & Construction ☐ Electronics & Computers ☐ Foodservice ☐ Manufacturing ☐ Book Publishing & Libraries ☐ Medical/Health Care.

RESTAURANTS & INSTITUTIONS (ISSN 0273-5520) is published biweekly in national, demographic and separate editions by The Cahners Publishing Company, A Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. William M. Platt, President; Terrence M. McDermott, Executive Vice President; David S. Wexler, Group Vice President; Jerry D. Neth, Vice President/Publishing Operations; J.J. Walsh, Financial Vice President/Magazine Division; Thomas J. Dellamaria, Vice President/Production and Manufacturing. Circulation records are maintained at Cahners Publishing Company, 270 St. Paul St., Denver, CO 80206-5191. Phone: 303/388-4511. Second-class postage paid at Denver, CO 80206-5191 and additional mailing offices. Postmaster: Send form 3579 to our Denver address. RESTAURANTS & INSTITUTIONS copyright 1987 by Reed Publishing USA. Saul Goldweitz, Chairman; Ronald G. Segel, President and Chief Executive Officer. Annual subscription rates for non-qualified people: USA, $88; Canada/Mexico, $100; other countries, $125 for surface mail and $210 for air mail. Except for special issues where price changes are indicated, single copies of regular issues are available for $6, $8 and $10 (USA, Canada/Mexico and foreign). Please address all subscription mail to RESTAURANTS & INSTITUTIONS, 270 St. Paul St., Denver, CO 80206-5191.

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, pgs. 6, 19, 69, 115,

222